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A Resource–Based View of the ‘State’

A Case study of the Indian State

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A Resource – Based View of the 'State': A Case study of the Indian State

**By
Suresh George**

PhD

April 2015



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April 2015

***A thesis submitted in partial fulfilment of the University's
requirements for the Degree of Doctor of Philosophy***

To the memory of Eng. V. Zachariah, my grandfather, who believed that education was the greatest 'resource' one could acquire. His estate had provided the financial support for all my education.

Abstract

This study has addressed a central issue, a gap in our existing knowledge, literature, analysis, an understanding of the role of state in resource seeking. Whilst the role and operations of the firm, has long been a primary focus of research in Strategic Management, analysis of the role and influence of the state with respect to firms has been relatively under-researched. To investigate this core research question, the study identified and applied the well-established theoretical and methodological approach, the Resource Based View of the 'firm' (RBV), developing it further to incorporate and mainstream the factor of the state and elaborating a fresh analytical approach, termed the resource-based view of the 'state' (RBS).

The new RBS conceptual framework has been proposed by extending the central proposition of the RBV of the firm- that a firm must acquire and control valuable and non-substitutable resources and capabilities, into a multidisciplinary integration of both the institution based view (IBV) approach and the role of the contemporary state in providing resources and capabilities to firms. The central problematic this research is seeking to explore is the new resource-based approach of the Indian state. The state is seeking the acquisition of energy assets overseas, using institutional support mechanisms and the deployment of specific state capabilities and resources.

Using an in-depth case analysis of the Indian state, this thesis provides evidence of the resource-based approach, in which the state provides a strategic intent for its firms, creates strategic markets for the firms to compete in as well as providing intangible resources. The state is also presented as a source of new intangible resources that provide competitive advantage and insulate firms from competition in specific markets. Insights from elite interviewees representing a cross-section of institutional actors such as academics, ambassadors, senior government officials, policy planners, advises the state, personnel from state-owned and private resource seeking firms as well as from the fourth estate, in the thesis has provided a rich contextual information to evidence resource seeking in the contemporary Indian state. The key contribution of the new conceptual framework, the RBS model has been in integrating a multidisciplinary approach to the traditional resource based view theory of the firm. Using the institutional context of the Indian state, this thesis has provided an appropriate context for the validation of the RBV of the firm.

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Professor Neil Renwick, my Director of studies, deserves praise for his kind-hearted yet critical observations that made me stay the course over the years. In particular, his dogged determination to help me with understanding the 'state' is tribute to his outstanding scholarship

This research owes its origin to the mentoring, help and continuous support of my second supervisor, Dr Emanuel Gomes at the University of Birmingham. Not many are fortunate to have had the same dedicated supervisor throughout their postgraduate and PhD studies.

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Finally, this thesis is dedicated to my parents without whom this would have not happened. My wife, Maja and the children, Shifrah and Vanessa waited patiently for the completion, encouraging, yet determined to leave me alone while I struggled on.

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List of abbreviations and Acronyms used

ADB	Asian development bank
BJP	Bharatiya Janata Party
CII	Confederation of Indian industry
DFID	Department for International development
DGH	Directorate general for hydrocarbons
EME	Emerging market enterprises
EXIM	Export import bank of India
E&P	Exploration and production
G8	Group of eight
GAIL	Gas authority of India Ltd
GSPC	Gujarat State petroleum Corporation
IBV	Institution-based view of the firm
IDSA	Institute for defence studies and analysis
IGO	Intergovernmental organisations
IHV	India hydrocarbon vision
INGO	International non-governmental organisations
IEA	International energy agency
LARDIS	Library and research, documentation and information services
MNC	Multinational corporation
MEA	Ministry of external affairs
NELP	New exploration licensing policy
NSG	Nuclear suppliers group
OFDI	Outward foreign direct investment
ONGC	Oil and natural gas commission
OVL	ONGC Videsh Ltd
OMEL	ONGC Mittal enterprises Ltd
OIL	Oil India Ltd
PPAC	Petroleum planning and analysis cell
PSU	Public sector undertaking
RBV	Resource-based view of the firm
RBT	Resource-based theory
RBS	Resource-based view of the 'state'
RIL	Reliance industries Ltd
SCA	Sustained competitive advantage

TNC	Transnational corporation
UN	United Nations

Chapter 1 Introduction

1.1. Introduction

This study adopts, applies and develops further the 'Resources-Based View' (RBV) of the firm, a well-established and widely-adopted approach within Strategic Management and Business Studies (Wan *et al.* 2011:1136) as well as one of the most influential cited theories in the history of management theorising, (Kraaijenbrink, Spender and Groen 2010:350). The central proposition of the RBV according to Kraaijenbrink, Spender and Groen (2010:350) is that a firm must acquire and control valuable, rare, inimitable and non-substitutable resources and capabilities. In addition, the firm must have the organisation that can absorb and apply resources and capabilities, (Barney 1991, 1994, 2002). The resource-based view of the firm (RBV)¹ and its later incarnation, the resource-based theory (RBT), has focused on establishing theoretical and empirical relationship between resources and development of sustained competitive advantage at the firm level. This focus enabled the RBV to allow integration of other perspectives into its core proposition, so that new insights on the interplay of the resources and its environment can be explained. The resource-based view (RBV) was selected in this thesis, for its increasing use within the international business literature, flexibility to accommodate new theoretical insights and its ability to be integrated into other perspectives, (Barney, Ketchen and Wright 2011:1303).

However, one of the limitations of the RBV (Priem and Butler 2001) lies in the limited understanding of how the institutional context specifically in terms of the role of the state, impacts on the process of resource accumulation, deployment and exchange by firms in specific markets. The precise role of the state in creating strategic factor markets for its firms to operate and seek resources lacks critical understanding.

Therefore this thesis, is attempting to extend the RBV of the firm to incorporate the role of the state, from its ability to deploy resources, capabilities and provide strategic intent for selected firms. The thesis creates a richer understanding of the institutional state

¹ The Resource based view of the firm (RBV) was termed as a 'Resource based Theory (RBT) by Jay Barney in 2011. However, some literature still use the resource based view of the firm. The thesis adopts the term 'view', but uses the term 'theory' where this is applicable in the text.

context by focusing on the global energy industry, in which states are the prime actors in resource acquisition.

1.1.1 The focus of the resource-based view at the firm level

One of the limitations of the RBV, is its focus on interactions is at the firm level. At the expense of treating the environment where resources or capabilities exist as being static, the RBV is considered a theory with no managerial implications, (Kraaijenbrink, Spender and Groen 2010:351). Scholars have long ignored the environment in which the firm operates, due to the wider assumption that firms focus only on profits while the operating environment is left to the realm of the state, (Scherer and Palazzo 2011:899). The dynamic capability extension of the resource-based view of the firm, (Teece *et.al*, 1997) had tried to include the context of the firm's environment into the RBV theory. However, unlike the extension of the RBV of the firm into the state as proposed in this thesis, the dynamic capability extension had addressed the nature of the environment at the firm level, not at the 'state' level. This has led to extensions of the RBV in which resource acquisition and deployment is treated within the nature of institutions. The latter extension of the RBV theory into institutional theory considered several resources like institutional resources, nonmarket assets and political resources as factors that could impact the firm's ability to deploy specific resources, (Dahan 2005:13). In spite of these institutional linkages with resource acquisition at the firm level and a greater understanding of how institutions influence firms in seeking resources, the literature on the exact role of institutions, particularly the role of the state is limited.

Although the RBV has been extended over three decades into several fields of international business, it has still failed to clearly explain how firms are conditioned by the context in which they operate to seek, acquire and deploy resources, (Peng *et al*. 2009:65, Barney, Ketchen and Wright 2011:1309). It has also failed to critically explain how firms, assemble resources and capabilities in a new market as well as the role of social and political capital in creating new resource and capability bundles, (Barney, Ketchen and Wright 2011:1310).

1.1.2 The role of the 'state' in international business.

In spite of increasing global investment, the motives of outward foreign direct investment (OFDI), from emerging economies is not very clear, (Wang *et al.* 2012:655, Lu, Liu and Wang 2011:223). Several studies on emerging market enterprises, EMEs have suggested that the state in the form of the developmental state is behind the internationalization of EMEs (Wang *et al.* 2012, Paladini and George 2011; Luo, Xue, & Han 2010, Peng, Wang, & Jiang 2008). The role of the state is also evident in the increase in the number of state-owned TNCs from 650 in 2010 to 845 in 2012 (UNCTAD 2013:xiv). Yet for some authors, the traditional role of the state should be confined to providing law and order, macroeconomic stability and the state should not bother itself with the affairs of the firm (Cali and Sen 2011:1542).

Due to a combination of the ability of technological shifts and the increasing rise of the transnational corporation (TNC) within a dominant free market neo-liberal economic orientation, the role of the state is perceived to be insignificant, (Dicken 2011:170). The continued reduction in the economic and social assets of a state followed by the dominance of the 'Washington consensus' of the free market economy on both developed and developing markets has been assumed to be the reason why the 'state' was no longer important with the international business, (Dicken 2011:170).

Two aspects of global business have brought back the 'state' into prominence.

The first is the growing phenomenon of multinational corporations (MNC) that have started to engage in activities that have been traditionally regarded as activities of the 'state', such as managing public health, education, social security and self-regulation of the environment they operate in, (Scherer and Palazzo 2011:899). This phenomenon is a product of globalisation in which cross-border interactions due to declining costs as well as greater integration due to technology plays an important role. Globalisation reduces the capacity of the state to regulate economic behaviour outside of its borders and brings the state into conflict with the MNC. In many cases the state may need to compete with the MNC for resources or access to markets.

The second aspect is the consequence of globalisation and the resurgence of the state following the global collapse of the financial system in 2008. Although a product of the globalised and interconnected free market economic system, it was left to the state to rescue large transnational (TNC) corporations like General Motors, manage state

sponsored bailout of financial TNCs and mitigate their effect on the broader aspect of its national economy. The state was now needed to recapitalise a free market economy and to support firm recovery. Although globalisation and interdependence have now created a more dynamic market environment in which states and firms interact, the literature is still limited on the exact role of the state, (Lawton, McGuire and Rajwani 2013:1468, Wang *et al.* 2012: 655, Lu, Liu and Wang 2011:223).

Mainstream theory within international business has indicated firm specific factors in driving outward foreign direct investment (Dunning 1993) and that the ownership advantage is often embedded in the home country of the firm. The importance of the contemporary state in international business also lies in the increasing state ownership of firms as well as their increasing market power due to their involvement in strategic industries (UNCTAD 2013:12). Some of state in the internationalization of firms lies in the pursuit of strategic assets (like technology, intellectual property, brand names) and in acquiring natural resources (UNCTAD 2013:xiv). The economic rise of emerging states coupled with the rebalancing of global political and military power is another indicator of the importance of the state. This becomes relevant considering that in addition to obtaining resources from markets, a state also needs to look at complimentary methods such as the deployment of specific political strategies, soft power or military strategies to seek resources as well as to protect its resource-creating capabilities.

Therefore, while the RBV of the firm has been an important theory in extending our knowledge of the firm, it has failed to incorporate the role of the state in a rich and empirically grounded theory, which this thesis presents.

1.2. Extending the Resource-based view of the firm (RBV)

The origin of the resource-based view of the firm is from the eclectic nature of strategic management (Hoskisson *et al.* 1999:418) and the RBV research was confined to identifying the best advantages a firm could use in a market.

Resources have been depicted as one of the important drivers of a firm's decisions to move from specific market positions, (Barney, Ketchen and Wright 2011:1304). The resource-based approach has also been viewed as '*a focus on the isolating mechanisms that help to ensure the uniqueness of a particular firm's resources, capabilities and access to markets*', (Dunning and Lundan 2008:577).

Yet we remain ignorant about the nature of specific market positions, firm level factors and the exact relationship of the institutional environment and firm level. Extant knowledge on how firms acquire resources in strategic factor markets and the accumulation of specific resources is also not always clear. Most of this knowledge is on how resources interact to create competitive advantage and is based on 'observable' resources, (Levitas and Chi 2002:958) and has failed to show the effect of 'unobservable' resources on the competitive advantage of firms. In addition, the use of 'observable' resources alone in most of the research on resources had led Levitas and Chi (2002:960) to state that 'observables' alone do not give a richness of detail to the understanding of how resources interact with other unobserved interactions.

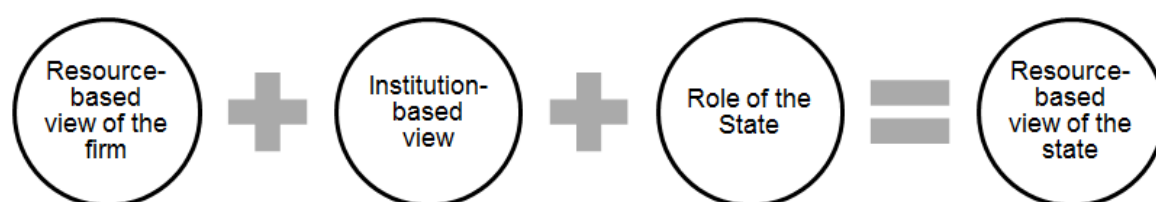


Figure 1: The origin of the resource-based view of the 'state'

This thesis attempts to look at competitive advantage interactions in a dynamic market environment using multiple approaches. A single theoretical approach is considered to be inadequate to explain motives of firms due to the *complex and unstable external environment* (Lu, Liu and Wang 2011:224) as well as the '*heterogeneous internal resources and capabilities*' of firms (Peng, Wang and Jiang 2008). Jay Barney (Barney, Ketchen and Wright 2011:1305) also indicated that the process of resource and capability development are not always clear, and suggested using a multidisciplinary, multi-perspective process embedded within a context to explain how combinations of resources and capabilities play out within specific contexts, (Barney, Ketchen and Wright 2011:1310).

Hence, this thesis uses a multi-disciplinary integration of three separate approaches to develop a new theoretical approach within a specific institutional context; the role of the Indian state seeking energy resources in Africa.

The three approaches used are:

- (i) Resource-based view of the firm (RBV)
- (ii) Institution-based view
- (iii) Role of the state integrating *Industry based view* of the energy industry

Each of these theoretical approaches are well known approaches to identifying competitiveness advantage in strategic management literature. In spite of being well approaches, they are considered to be inadequate in their isolation, to explain the motives of emerging market firms, (Lu, Liu and Wang 2011:225). The *resource-based view* has been criticized for its inability to establish appropriate context for resources (Priem and Butler 2001:32), cited in Lu, Liu and Wang (2011:225), *the industry based view* has been challenged for its ignorance of history and institutional background according to Narayanan and Fahey (2005) cited in Lu, Liu and Wang (2011:225). The inadequacies of these two mainstream approaches to understanding firm level strategy led to the origins of the third, institution-based view. The institution based view is considered by Peng *et al.* (2009:63) to be a complimentary approach to the other two approaches since institutions directly determine the nature and formulation of a firm's strategy.

1.3 Aims and Objectives

The institutional environment within which the contemporary firm operates is heavily influenced by the national interest, policies and strategic goals of its home state. However, it is this critical institutional factor helping to determine the behaviour of firms that is relatively under examined in the study of international business.

Therefore, the aim of this study is to identify and evaluate the institutional support infrastructure of the state for resources acquisition in order to

- (i) Provide original knowledge about these relationships
- (ii) Evaluate their effectiveness
- (iii) Formulate a new model of institutionalised resources acquisition as a basis for empirically informed policy development in India and with wider applicability.

In order to address these aims effectively, the study adopts, applies and develops further the 'Resources-Based View' (RBV) of the firm, a well-established and widely-adopted approach within strategic management (Yamakawa *et al.* 2013, Wan *et al.* 2011:1136, Yamakawa, Peng and Deeds 2008a, Dahan 2005), into the 'resource-based view of the 'state' (RBS). The resource-based view was chosen due to its increasing use within the strategic management literature, flexibility to accommodate new theoretical insights and its ability to be integrated into other perspectives, (Barney, Ketchen and Wright 2011:1303)

1.3.1 The central problem

The central problematic that this research aims to explore is:

The Indian state has a new resource-based approach that seeks to acquire energy assets overseas using institutional support mechanisms and the deployment of specific resources.

But how does this new approach by the state impact on the operational behaviour of firms and what greater utility in resources acquisition does this state role provide in practice?

The primary objective of this research therefore is to provide a deeper understanding of the role played by the contemporary Indian state in the international acquisition of energy resources, by Indian firms by explaining and evaluating the utility of the various institutional levers employed by the state to support Indian firms. In exploring this particular case, the study seeks to contribute new knowledge to the subject by filling a gap in international business literature, offering new insights into the way state-firm relations work today in a pivotal sector, and developing an enhanced approach to analysing such relationships in other countries.

1.3.2 Research questions

The study sets out three primary Research Questions (RQs):

RQ1: To what extent and in what ways does the Indian State 'deploy' firms and agencies to meet Indian national energy needs?

RQ2: What institutionalized support does the Indian state provide to those firms and agencies that it uses to acquire energy assets?

RQ3: How effective is this support for these firms and agencies in facilitating the acquisition of energy resources and in meeting India's national energy requirements?

1.4 The contribution of this study to Knowledge and literature

The key contribution of this thesis to knowledge lies within the following aspects:

1.4.1 The creation of the resource-based view of the 'state' (RBS) framework

This thesis aims to address the gap in literature by using the context of the state within this thesis and extending the RBV into the context of the 'state', away from its traditional roots in firm-level interactions. A new conceptual framework 'resource-based view' of the state (RBS) is proposed in the thesis by integrating the role of the state in resource seeking with the existing institution-based view and the resource-based view of the firm.

The integrated approach that has been employed in this study is unique in that it extends the resource-based view of the firm (RBV) into the 'resource-based view of the state' (RBS) and presents more clarity into the nature of previously unobserved resource-capability bundles deployment by the state. The resource-based view of the state that this introduced in this thesis provides a richness of insights into how resources are created, deployed and combined in specific resource capability bundles to satisfy the institutional strategic intent of a state. Although there have been a number of studies on the deployment of political resources within previous RBV literature (Lawton, McGuire and Rajwani 2013), the researcher is not aware of any study that has presented an integrated approach incorporating a state-firm extension to the RBV. Lawton, McGuire and Rajwani (2013:15) had also suggested that integrating our understanding of firm level resources with an institution and the specific political environment is useful to develop an assessment of how powerful political resources impact international business.

Within literature, several attempts have been made on integrating different aspects of the industry-based view, the institutional view and the resource-based view. Some of these are:

- (i) Corporate political activity was embedded into the resource-based view of the firm to create the 'resource-based view of politics' by Dahan (2005).

- (ii) The relationship of the multinational company (MNC) and its bargaining power has been integrated into the resource-based view by Moon and Lado (2000).
- (iii) Wang *et al.* (2012) had looked at the role of the institutional capital of Chinese government in qualifying the resources of emerging market enterprises (EME). This work, integrated the firm, industry and the institution into explaining how outward foreign direct investment (OFDI) from China impacted on the strategic choices made by Chinese firms.
- (iv) The resource-based view of the firm has been combined with effectiveness of markets in facilitating access to resources by Meyer *et al.* (2009)
- (v) The combination of resources and capabilities and the dynamic nature of the relationship between resources and capabilities were integrated by Helfat and Peteraf (2003), into a 'dynamic resource-based view' of the firm
- (vi) A generic country environmental context was integrated into the RBV by Wan (2005).
- (vii) The industry based view, the institution based view and the resource-based view was integrated by Yamakawa, Peng and Deeds (2008a) into a 'strategy tripod' framework

1.4.2 Providing a multi-disciplinary approach to extending the RBV of the firm.

The key contribution of the proposed resource-based view of the state, (RBS) framework has been in integrating a multidisciplinary approach to the resource based view theory of the firm. The theoretical approach which is discussed in chapter 2, uses a diverse mix of existing research insights into a single institutional context (the Indian state), to extend the boundary of the existing resource-based view (RBV) as suggested by Thomas, Cuervo-Cazurra and Brannen (2011).

The support for using multiple lenses to address the central issue were addressed in the 2011 special issue of the *Journal of International Business Studies* (JIBS), the leading academic journal within the field. In this issue, Birkinshaw, Brannen and Tung (2011:579) had suggested that, in exploratory settings, the research questions should guide the choice of methodology used and researchers should clearly and transparently document the process by which data was collected and interpreted. Given that the remit of the study is multidisciplinary, a diverse range of research insights from existing literature has informed the overall methodology of the thesis. These are:

- a) Seeking to contextualize and explain the resource-based approach within the context of a single case study, an area that has been perceived to be lacking in international business research studies, (Welch *et al.* 2011).
- b) Extending the resource-based theory (RBT) into an international setting, which produces more heterogeneity and complexity that can allow a rigorous testing of theory or expanding the boundary of existing theory, (Thomas, Cuervo-Cazurra and Brannen 2011).
- c) Understanding International business activities through multiple lenses, levels of observation often embedded in multifaceted contexts with economic, cultural, legal and political elements, (Cheng *et al.* 2014)
- d) Attempt to capture rich and holistic *data on the perception of local actors 'from the inside' through a process of deep attentiveness*, and descriptions, nested in the real context and thus have a ring of truth, (Miles and Huberman 1994).
- e) Providing a holistic perspective of the various themes that emerge from in-depth individual interviews, correlating these to existing data and finally creating an output that identifies patterns of association (Ritchie *et al.* 2013).

1.4.3 Providing a context for the validation of the RBV framework

In previous paragraphs, this study has shown that one of the limitations of the RBV has been its inability to provide an appropriate context for the evaluation of the value or uniqueness of resources, Priem and Butler (2001:32). This study addresses this limitation by providing an institutional context of the role of the Indian state, as the unit of analysis for the evaluation of the RBV theory. The richness of this institutional context has also included the understanding of the causal ambiguity within the global energy market.

The global energy industry, in which this study is situated, has been the subject of many an academic study, including this researcher (Paladini and George 2011). This reflects the reality that, more than ever before, energy (principally oil and gas) is a critical resource, the lifeblood of modern industrial economies such as that of India, and one that is subject to increased competition with the rise of China and other emerging

economies. This thesis builds upon and extends earlier published work by the researcher on the subject of interstate competition for resources within the energy industry where state-owned firms were described as proxies for the state themselves. Given that both India and China are projected to grow over the next decade into the largest and third largest economies, (BP 2014) is important that an understanding of the resource-based approach of the state is examined.

1.5 The state as the unit of analysis for the research questions

The value of the institutional context of the state lies in the validation of the theory using primary data from interviews with key stakeholders in the 'state'. By providing detailed insights into how resources is being conducted at the institutional or 'state' level, this study shows a better understanding of the drivers behind states seeking resources. It also adds to the limited literature that is available on the nature of intangible resources deployed by home country governments in supporting multinational enterprises, (MNEs) undertaking foreign direct investment, (Peng 2012). According to (Lu, Liu and Wang 2011:224), empirical studies that describe the motives of outward FDI from an institutional behaviour perspective is lacking within literature. Most of the existing literature is based on case studies on national level data,(Lu, Liu and Wang 2011:224). Although we know that institutions impact the strategies and behaviour of firms within emerging markets (Peng *et al.*2008), extant literature on the role of institutions in international business focuses on host country interactions and neglects its home country's political systems, legal frameworks, market structures and institutions approach, (Lu, Liu and Wang 2011:224). Most of this is due to a lack of access to information on the institutional approach of the national context in which firms are embedded. This study addresses this lacuna by embedding the study within the Indian state's resource based approach in seeking energy assets.

As described above, the research questions have considered the unit of analysis as the Indian state and its resource deployment activities within the context of the Kenyan state. The value of this research study lies in the richness of the primary data that has been provided from interviews with elites in the institutional context of both states.

1.5.1 India as the Institutional context for resource acquisition of this study

Energy security is one of India's strategic and political issues as it seeks to consolidate its economic success. On its way to becoming the third largest economy globally, India is expected to import 61% of its energy resources, while demand for energy resources by India is expected to outpace that of China by 2035, (BP 2014). The newly elected Prime Minister of India, Narendra Modi visited key energy rich states in the first six months of his election, proving that India is no longer content with playing 'catch-up' to other resource seeking states, (Rai 2014) and is redefining its state driven energy security strategy.

With the liberalization of the Indian economy in 1991, the demand for crude oil imports to feed a growing economy was growing critical. Dadwal and Sinha (2005:521) indicate that over 70% of India's crude oil demand was met through imports. Although the short-term policy was to build relationships with international oil companies and seek preferential terms. However, India's growing oil demand forced the Ministry of petroleum and natural gas to have in place by 1999, a formal process to '*acquire acreages abroad for exploration as well as production*', (Ministry of Petroleum and Natural Gas 1999:2). A new institutional approach that has been enshrined in the state's 'India hydrocarbon vision 2025 report' clearly point to a more aggressive resource based approach. Some aspects of the policy document indicate that the state is using multiple approaches to drive these new forms of resource seeking. Some of these approaches are:

- (i) The Indian state has begun to '*evolve a mechanism to leverage India's "Buyer Power" to obtain quality E&P projects abroad*' and hence a market-based approach.
- (ii) Diplomatic and political strategies for the import of gas from nearby countries became an instrument of state policy in an institutional-based approach
- (iii) The policy of the state to encourage the transportation of crude oil through Indian flag vessels was proposed as a form of its security-based approach. An example of this approach has been the very recent political engagement India has had within the Indian Ocean states. According to Chatterji (2015) this was to protect the sea lanes of communication (SLOC) that transported India's energy resources as well as to increase the ability to extract resources from new markets

The Indian state is also considering several diversification options to ensure supply security; hence the need for diversification into new supply sources as well as new routes of supply.

In addition to Malaysia, South Africa and China, India is now the largest source of FDI into Africa with over \$14 billion is expected to rise according to the UNCTAD 2013 world investment report, (UNCTAD 2013). Most of this FDI is into the extractive sector.

1.5.2 The Kenyan state as an example of resource based approach deployment in the African context

The state of Kenya in Africa was chosen, partly due to its historical connections to India and the researcher's access to key political and economic elite within the Kenyan state. Consideration was also given to Kenya's status as a new oil producer state, the role of the Indian diaspora in its development and its recent key engagement with Asian powers. In this national oil company, ONGC through its overseas exploration subsidiary, ONGC Videsh(OVL) has been reported to be considering the takeover of the assets of Tullow Oil Plc in Kenya, (Verma 2014). By taking over the company, the Indian state through OVL will also have access to Tullow existing oil fields in the Turkana region of Kenya as well as the Jubilee oil field in the offshore waters of Ghana, (Verma 2014)

1.6 Research methodology

As indicated above, this study aims to extend the resource-based view of the firm (RBV) by providing an in-depth case study of institutional context since this is the most appropriate method to understand its implications, (Hoskisson *et al.* 1999:423). The case study approach, an established component of qualitative research within international business and the most popular form of research with the ability to create new theoretical insights, (Welch *et al.* 2011) was used. The case study of Indian state is used as the unit of analysis and one that follows a qualitative approach using a multidisciplinary approach based on the new theoretical approach, the resource-based view of the state (RBS).

Data collection was done by using both primary and secondary data. Primary data collection came from the semi structured interviews with elites and the second was

analysis of secondary literature and data sources. Interviews were conducted with elites to institutional settings. The first of interviews spread across two years (2012 to 2014) were used to understand the role of the Indian state and its resource-based approach. The second rounds of interviews were held in Kenya where the Indian state is actively seeking resources.

A similar study that has addressed the institutional context of the Indian state seeking resources has been that of Verma (2013). This study had looked at a comparative study of Indian and Chinese national oil companies (NOCs) through a case study analysis of the individual activities of selected national oil companies. Although grounded in political economy and attendant literature, the study had used the differences in the Indian and Chinese economy and its effect on its national oil companies to create a theoretical framework that tried to explain how each state sought oil resources in West Africa.

This study on the other hand has specifically addressed the role of the Indian state on resource seeking using rich primary data from a number of semi-structured interviews that the researcher conducted with key stakeholders in the institutional context of resource seeking. Unlike Verma (2013), this study had access to key elites within the Indian and Kenyan state enriching this study's ability to generate stronger contextual information due to the following:

- (i) The researcher has had primary access to several key stakeholders within the Indian state during the course of this research and this has enriched the understanding of how the Indian state is using a resource-based approach.
- (ii) The researcher has also spent substantial part of his early life in Africa and was able to negotiate primary access to many respondents in Kenya, which contributed to understanding the deployment of India's resource based approach

The theoretical framework proposed in this study clearly validates the role of the state on both its national oil companies (NOCs) as well as private sector firms used to seek resources, a clear limitation of Verma (2013) work.

1.7 The structure of this thesis

The contents of the thesis are divided into six chapters as follows:

- The introduction
- The theoretical framework
- The research methodology employed
- Empirical evidence and findings
- Discussion of the resource-based view of the state
- Conclusions and recommendations

A brief summary of each of the chapters follows:

Chapter 1

This is the introduction chapter and sets the rationale, the relevance and context of this PhD thesis. It has said that the central research question of how the Indian state is using its new energy acquisition policy to acquire energy assets overseas, using institutional support mechanisms as well as the deployment of specific resources.

Chapter 2

The theoretical framework is identified, explained and justified in this chapter in the context of how the Indian state manages its institutional environment and develops or deploys specific domestic and foreign policies to maximize its national oil resource acquisition.

The theoretical framework is developed from three main bodies of literature: these are

1. The resource-based approach of the firm
2. The institutional context of resource seeking
3. The role of the state in resource seeking

This is debated across a chapter in three separate sections

Section one - addresses the resource-based approach at the firm level

The section starts with the review of the history of the resource-based view of the firm, and this evolvement over time and addresses the resource-based view of the firm as developed by Jay Barney (Barney 2014, Barney 2012, Barney, Ketchen and Wright 2011a, Barney, Ketchen and Wright 2011b, Barney and Clark 2007, Ray, Barney and

Muhanna 2004, Barney and Arikan 2001, Barney, Wright and Ketchen Jr 2001, Barney 1997, Barney 1995, Barney 1991a, Barney 1991b, Barney 1986) as an integration of four separate assumptions (i) market position of the firm(Wernerfelt 1984), (ii) strategic theory of the firm, (Rumelt 1984) , (iii) strategic factor markets (Barney 1986), and (iv) deployment of resource bundles,(Dierickx and Cool 1989) is addressed in this section. Moving on, the basic assumptions of the resource-based approach of the firm level including the definition of constitutes a resource or capability is identified. The notion of 'invisible' assets, value and economic value is also introduced in the section. The researcher also identifies the concept of 'causal' ambiguity, within the resource based approach.

Extensions of the resource-based view of the firm, its limitations and criticisms are also examined in the final part of the section.

Section 2-examines the institutional view of resource seeking. The context of institutional support mechanisms and the ability of institutions to create resource bundle combinations for firms is explored. This section also examines both formal and informal rules as well as the creation of strategic factor markets for firms to operate in. Accumulation of capabilities by institutions, the role of the institutional theory, forces that drive institutions and the nature of markets are explored within the context of the creation of legitimacy by institutions. Legitimacy is addressed as creating a capability for national interest firms to operate in uncertain market contexts.

Section 3- examines the role of the state in seeking resources. This session explores the nature of the state, the industry based view of the energy industry, the energy security debate and the different approaches used in resource seeking including the market- based and security based approach. The researcher also addresses the concept of location between statehood, how a state is built, the structures of legitimacy that a state uses and building capability. This section also addresses the creation of national identity and national interests as part of this resource seeking approach.

The role of the state is addressed from the following aspects within the energy industry

- (i) The first theme is the *market-based approach* within energy security
- (ii) The second theme is the *security-based approach* that is interlinked with energy markets.

- (iii) The third theme looks at the *institutional-based approach* towards energy security including the deployment of political resources
- (iv) Finally the fourth theme addresses the *temporal dimension* of energy security

Chapter 3

This chapter addresses the methodology approach used in this thesis.

The following components formed the elements of the overall research methodology.

- (i) The core research questions
- (ii) The qualitative approach to the methodology
- (iii) Data from secondary research
- (iv) Empirical fieldwork data collection using an interview survey method
- (v) The creation of a case study
- (vi) Data analysis and interpretation

Chapter 4

Chapter 4 is devoted to the resource and findings from the primary and secondary data collection. This chapter addresses key questions about India is undertaking the acquisition of energy resources required for the development of its growing economy. The use of both hard and soft power projection strategies, institutional support for its national champions, use of its foreign policy and deployment of specific resources capability bundles are addressed here. Using primary data from interviews that were conducted by the researcher, this chapter looks at the unique resource seeking strategy that is been deployed by the Indian state. The chapter also provides empirical evidence and findings from the interviews carried out in both India and Kenya.

Chapter 5 – This chapter re- conceptualizes the analysis of state- firm relations by presenting an upgraded RBV of the state drawn from the empirical research undertaken in the India and Africa.

Chapter 6 - Finally, this chapter revisits the central problem identified in the beginning of the study, reflects upon the findings of the case studies and upon further development of the RBV approach, draws out the wider relevance of the study within the discipline and identifies avenues for research to take this study further, such as new comparative work on India and China in Africa's energy sector.

Chapter 2 –Theoretical approach

2. The theoretical approach

As the opening chapter explained, this study adopts, applies and develops further the ‘Resources-Based View’ (RBV) of the firm, a well-established and widely-adopted approach within Strategic Management and Business Studies (Wan *et al.* 2011:1136) into the context of the ‘resource-based view’ of the state (RBS) by integrating it with the industry view and institution based view.

The resource-based view (RBV) was chosen due to its increasing use within the strategic management literature, flexibility to accommodate new theoretical insights and its ability to be integrated into other perspectives (Barney, Ketchen and Wright 2011:1303). The resource-based view and its later incarnation, the resource-based theory (RBT) has focused on establishing theoretical and empirical relationship between resources and development of sustained competitive advantage. This focus has allowed the RBV to allow other perspectives to be integrated into its core proposition so that new insights on the interplay of the resources and its environment can be explained. This lends the value of the RBV into this PhD thesis.

One of the long-standing criticisms of both the industry view and the resource-based view of the firm has been its lack of attention to context, (Peng *et al.* 2009:65). This thesis aims to address the gap in literature by using the context of the Indian state within this thesis and extending the RBV into the context of the ‘state’, away from its traditional roots in firm level interactions.

2.1. The use of the resource-based view of the firm (RBV) in the study

The theoretical approach uses a diverse range of existing research insights as indicated in chapter 1 to a single institutional context, to provide more richness of detail to extend the boundary of the existing RBV, (Thomas, Cuervo-Cazurra and Brannen 2011). The use of multiple lenses and in-depth observations embedded in multifaceted contexts with economic, cultural, legal and political elements, (Cheng *et al.* 2014) have also contributed to the theoretical approach used in this thesis.

The key intention of the Chapter is to identify, explain and justify the key conceptual elements of the theoretical approach and the core components of the methodological framework of analysis. These will be applied in order to address the central issue at the heart of this study. To recap, these are: the Indian state has a new resource-based approach that seeks to acquire energy assets overseas using institutional support mechanisms and the deployment of specific resources.

2.2. The background to the theoretical approach

The gap in literature and our understanding of how institutions deploy resources, capabilities and resource-capability bundles to increase or maintain their competitive advantage remains today. Existing empirical studies have examined ‘whether’, ‘where’ or ‘how’ outward FDI are conducted but has not directly examined the motive or role of the state. (Lu, Liu and Wang 2011:224). The lack of empirical studies is due to the difficulty in accessing systemic data on the exact motives of the state, (Lu, Liu and Wang 2011:224)

This study seeks to address these surprising *lacunae* in our understanding. In doing so, it works from a premise that the reason for the continued failure to satisfactorily address this limited knowledge is due to the multi-dimensional character of the factors at the heart of the subject. This study has responded to this complexity by adopting a multidisciplinary theoretical perspective grounded in an institutionalised focus. The theoretical approach integrates multiple aspects of existing analysis to present a coherent understanding of the role of the state in resource- seeking.

At the firm level of business strategy, there are differing views on how to view each of the factors that affect a firm in various markets. There is the *industry based view* of the

firm based on the industrial economics approach in which Porter (1981) argues that industry conditions acts upon the performance of a firm. The Industry view looks at more external aspects of the factors that affect a firm while the resource based view argues that it is the resources bundles or combinations of resources that create competitive advantage (Barney 1991, Teece *et al.* 1997). The *resource-based approach* on which this section is based, has become a very influential perspective in international business research and impacts on a firm's entry into new market by enabling it to overcome resource and capability deficiency (Yamakawa, Peng and Deeds 2008a, Wan *et al.* 2011)

Some questions that shaped the support for the interplay of resources, institutions and the state have been asked by Yamakawa, Peng and Deeds (2008a) & Yamakawa *et al.* (2013). These are:

- a) What are the key resources and capabilities behind overseas venturing by firms?
- b) How does the institutional environment at home and abroad shape such internationalization strategies?
- c) Are particular industries likely to foster new ventures to enter specific markets?
- d) What is the significance of intangible resources (reputation, norms, values) on international expansion?

Therefore, in order to understand how the Indian state pursues a mixture of resources and capabilities to secure the acquisition of energy resources, this study focuses on three key aspects. The first is the *resource-based view approach* used by firms to seek resources. The second is the *institutional context* of how firms deploy a mixture of resources and institutional capabilities to obtain the best possible competitiveness advantage in seeking resources. The third aspect is how the *state* creates and fosters specific policy and institutional environments that support these strategies.

In order to address these three perspectives, the study has looked at the following bodies of literature to derive the theoretical framework.

I. The resource-based view of the firm

- II. The institutional-based view of resource seeking and the Industry based view of the energy industry
- III. The role of the state in resource seeking

Each of this body of literature is examined in separate sections below as follows:

- (i) First a review of the key assumptions in the specific body of literature is addressed
- (ii) Secondly a discussion is made around how specific elements within each of four bodies of literature have contributed to the integrated framework that this thesis proposes.

The last aspect of this chapter presents the integrated theoretical framework that has evolved from using the above theoretical approach.

The study starts with the review of the RBV in section one, followed by the Institutional-based view (IBV) in section 2. The energy industry and its theoretical underpinning in energy security literature are addressed in Section 3 followed by the role of the state in the final section.

2.3. Section one– The Resource based View of the firm (RBV)

At its very basic understanding, the resource-based view of the firm considers that a firm consists of a bundle of productive resources, which allow firms to attain a competitive advantage in a market or to grow into new markets and diversify. These resources can include primary resources, which are the tangible and intangible assets that a firm uses to implement a strategy or capabilities, which are firm specific abilities to use resources in a specific fashion to achieve an objective, (Peng and Meyer 2011:100). In turn, primary resources can be classified into both tangible as well as intangible resources. Tangible resources are those resources that are observable, quantifiable and can include financial and physical assets of a firm. Intangible assets are harder to understand and maybe unobservable and difficult to quantify. This can include reputation, legitimacy, technology, human capital, organisational capital, etc. (Peng and Meyer 2011:102)

The resource-based approach focuses on factors internal to a firm that can lead to sustain competitive advantage. However, the resource-based approach has over its period of development become a more eclectic umbrella approach to the key issue of how to deploy resources in a given environment.

According to Hart and Dowell (2011) 'the origin of the resource-based approach *has marked a distinct departure from analysis at the industry level or at the strategic group level*, (Hart and Dowell 2011:1465). In other words, the RBV emphasised strategic decisions based on the firm's own decisions and competences rather than its environment (Hoskisson *et al.* 1999:419). The resource-based view is built on the role of resources and capabilities in creating competitive advantage for firms. The resource-based approach had originated as a possible answer to a fundamental question of why some firms persistently outperform others (Barney and Arikan 2001). This fundamental premise was on the assumption that performance differences will exist between firms

and that these differences cannot be explained by traditional economic theories of firm level performance.

2.3.1. The development of the resource based approach

The Resource based view of the firm was formally introduced in 1991 (Barney 1991) but had been around from the introduction of the concept in 1984 (Wernerfelt 1984). However, the origins of strategic analysis at the firm level had been around for some time. Edith Penrose, (Penrose 1959) was the first to look at the firm as an administrative unit. The firm was considered to be collection of resources, which determined its performance in an industry and Penrose is considered to be a founding contributor of the theory (Connell 2008).

Several reviews of existing literature on the resource based view theory of the firm (Armstrong and Shimizu 2007, Newbert 2008, Newbert 2007) mention the early work of Edith Penrose who is credited with introducing the concept of 'resources' as being important to a firm's competitive position and the logic that growth of the firm was due to the efficient deployment of its resources. Mehra (1996) also attributes the origin of the RBV theory to her and stated that it was Penrose who first argued that it is the services that resources can render that gives each firm its unique advantage This work was later complemented by that of Rubin (1973) who looked at firms as bundles of resources and argued that resources must be processed by firms to make them useful. In her original argument, Penrose (1959) states that forces within an organisation limit the amount of expansion a firm can undertake, yet the internal resources of the firm is used to create opportunities within the environment that it operates. But the fundamental aspect of the Penrosian argument mentions that the growth of the 'firm' is possible only in an environment where large firms are free of government constraints and dominate the environment (Connell 2008). If we are to link this with the resource based approach, Connell (2008) in her argument describes that although Penrose(1959) had focused on the international aspects of the firm, the work dealt with two actors, the government and the firm as the influencers of growth

It was however, the work of Jay Barney (Barney 1991) that set the development of the resource-based view as a more distinctive approach within strategic management and forms the bulk of the theoretical contribution of the resource based view approach.

2.3.2. The firm as the unit of analysis in the resource based approach

The resource-based view looks at firm level strategy and considers that a firm is a collection of heterogeneous resources, factors of production, bundles of resources that allow a firm to implement its chosen strategy (Penrose 1959, Wenerfelt 1984, Barney 1991). In his initial work, (Barney 1991a) had made two assumptions about firms:

- (i) Resources are in a *heterogeneous* state distributed across competing firms
- (ii) Resources are perfectly *immobile*

Competitive advantage of the firm was defined as the interplay of internal analysis of the firm's resources and capabilities along with the external analysis of its opportunities and threats (Barney 1991b: 100). The resource-based view suggests that it is the resources that a firm has access to or can control that determine its performance or sustainable competitive advantage over other firms. The sustainability of an asset that is sought by a firm owned by a former depends on how easily this can be substituted or imitated over time.

This study is skewed towards the resource-based approach as defined by the collected works of Jay Barney (Barney 2014, Barney 2012, Barney, Ketchen and Wright 2011a, Barney, Ketchen and Wright 2011b, Barney and Clark 2007, Ray, Barney and Muhanna 2004, Barney and Arikan 2001, Barney, Wright and Ketchen Jr 2001, Barney 1997, Barney 1995, Barney 1991a, Barney 1991b, Barney 1986) and several extensions of the original RBV theory. While it remains, the first article to define the resource-based approach as a theory, elements of the resource-based approach have been around in previous historical literature

2.3.3. The contribution of Jay Barney to the resource-based view

The basic principles of the resource-based approach by Jay Barney are derived from four separate but complementary articles (Wernerfelt 1984, Rumelt 1984, Barney 1986a and Dierickx and Cool 1989). These four papers have argued the case for using

a firm's resources as the unit of analysis to understand its persistent superior performance (Barney and Clark 2007:18)

The basic assumptions that contribute to the development of the resource-based view are:

- (i) Market position of the firm (Wernerfelt 1984)
- (ii) Strategic theory of the firm, (Rumelt 1984)
- (iii) Strategic factor markets, (Barney 1986)
- (iv) Deployment of resource bundles, (Dierickx and Cool 1989)

Each of these assumptions of the resource-based view of the firm is addressed next.

2.3.3.1. Market positions of the firm

Although the term resource-based view of the firm has been attributed traditionally to Jay Barney, the first work that introduced this terminology was that of Birger Wernerfelt. In Wernerfelt (1984), he tried to look at competitive advantage from a firm's product market position. He called his ideas the resource-based view to differentiate from the industry-based view (Porter 1981). Its initial proposition was that competitive advantage of firms was addressed from the perspective of the resources controlled by the firm. Wernerfelt (1984:14) used the approach of viewing competitive advantage from the portfolio of market positions a firm takes and the portfolio of resources a firm can control. It therefore follows that; competition comes from market positions held by a firm and is due to competition from resource positions held by the firm (Barney and Clark 2007:15).

In its first incarnation, the resource-based view (Barney 1991, Wernerfelt 1984) had assumed that resources are valuable, imperfectly imitable, imperfectly substitutable and contributes to a firm's main source of competitive advantage, (Barney 1991)

Figure 2: Development of the RBV based on Barney (1991)

2.3.3.2. Strategic theory of the firm

Almost the same time Wernerfelt (1984), published his paper, Rumelt (1984) published a second resource-based publication, called the strategic theory of the firm, which developed many of the attributes that would form part of the resource-based theory. The strategic theory of the firm that Rumelt (1984) developed has many of the attributes that was later associated with resource-based theory, (Barney and Clark 2007:15). Rumelt had viewed firms as being a bundle of productive resources that had different economic values based on the context within which they were applied. In a review of Rumelt's work, Barney and Clark (2007:15) suggest that inimitability of these resources depends on the extent to which they are protected by 'isolating mechanisms' that Rumelt (1984) suggested can enhance the inimitability of resources.

2.3.3.3. Strategic Factor markets

The nature of the attributes of a resource was further explored by Barney (1986) who suggested that it is possible to develop a theory of persistent superior firm performance based on the attributes of the resources, a firm controls (Barney and Clark 2007:16). This third contribution to the literature on the resource-based view of the firm started the shift from the resource-based view towards what is currently the resource-based

theory (Barney and Clark 2007:16). Following on from Wernerfelt's (1984) theory, we are introduced to the different implications of competitiveness advantage based on different product market positions of firms (Barney 1986) or what is then called strategic factor markets.

The concept of strategic factor markets is in the market where firms acquire or develop the resources they need to implement their product market strategies and was introduced by Barney (1986). The notion of strategic factor markets in a perfectly competitive industry was linked to the performance of resources that were used to implement specific product market strategies. (Barney 1986) argued that if firms were successful in implementing strategies these strategies when not always a source of economic rents even in a perfectly competitive market (Barney and Clark 2007:17). Thus, for the deployment of a strategy that requires acquisition of resources, this concept assumes that it needs to have strategic factor markets associated with them. This then leads to the discussion of the notion that resources may require other resources or strategic factors to enable them to become sources of economic rents in different contextual markets (Barney 1986:1233). It also introduces the notion of *future value* for an acquired resource as follows:

- (i) Firms seeking resources have the same notion of the future value of the resource as the firm that currently owns or controls the resource, (Barney 1986: 1233).
- (ii) Both firms also have a perfectly accurate and similar expectation about the future value of product market strategies that use this resources before they are implemented, (Barney 1986: 1233).
- (iii) However in the real world, due to uncertainty in the competitive environment, different firms in the same market will have different expectations about the future value of a strategy or resource (Barney 1986:1233).

2.3.3.4. Deployment of resource bundles

Resource bundles are deployed to achieve or protect a specific product market position and the opportunity cost of such a deployment has to be accounted for, when a specific product market position is acquired according to Dierickx and Cool (1989:1504). From the understanding about imperfectly competitive markets as discussed above, to the

value of a particular resource, (Dierickx and Cool 1989:1504) has implied that firms should focus on the uniqueness of resources rather, than the competitive environment.

However, not all resource bundles can be bought or sold for a tangible value or cost. There are specific intangible resources like reputation which cannot be quantified in terms of cost alone (Dierickx and Cool 1989:1505). The implementation of a resource acquisition strategy using intangible capabilities involves the incorporation of trust of both the resource seeker and the resource on within a historical context (Dierickx and Cool 1989:1505). The bundling of resources can create the potential for greater value (Amit and Schoemaker 1993) and Barney (1991) states that resource bundles are created due to the strategic intent of managers who create bundles and implement them within firm level strategies.

Having defined the origins of the resource-based approach, it becomes important to define what a resource is?

2.3.4. Understanding ‘resources’ within the resource-based view

According to Barney and Arikan (2001), *‘Resources are the tangible and intangible assets firms used to conceive of and implement their strategy’*. However, resources were given a much broader field by Wernerfelt (1984:172) who considered resources to mean *“anything which could be thought of as a strength or weakness of a firm”*. These include all assets, capabilities, organisational process, from attributes, information and knowledge that enable the firm implement a specific strategy that can improve its efficiency (Barney 1991b: 100). The strong linkage of resources to the firms that possess them is also evident in Amit and Schoemaker (1993:35) who define them as *‘stocks of available factors that are owned or controlled by the firm’*. This is also confirmed by Teece, Pisani and Shuen (1997) as *“firm specific assets that are difficult if not impossible to imitate”*

Resources can also be a source of supply or support with several inherent characteristics (Dahan 2005:10):

1. A resource can be extremely diverse in nature
2. A resource can be a means to achieve ultimate goal of a firm

3. A resource is not necessarily owned by a firm (Barney 1986,1991, Dierickx and Cool 1989, Wernerfelt, 1984,1989)
4. A firm may only need privileged access to a resource to make use of it.

Of these resources, several authors described the importance of knowledge as the most important resource that can be controlled by a firm (Grant 1991, Liebeskind 1996, Spender and Grant 1996).

2.3.5. Inimitability of resources within a social environment

However it is the nature of how firms develop or acquire resources in strategic factor markets (which has been discussed above) and which may or not be perfectly competitive that adds value to a resource. Resources also valuable due to their ability to enable firms to implement strategies that are appropriate to the market where they operate (Barney and Arikan 2001). Resources are also considered to be based within a contextual environment and that any resource deployment by any firm needs to depend on the specific nature of that context (Hoskisson *et al.* 2000). Depending on the nature of the industry and the environment in which firms operate, the economic and strategic value of either a tangible or intangible resources varies enormously. The resource-based theory considers that a resource must be valuable rare inimitable and supported by tested skills socially complex organisational processes for rate to deliver sustained competitive advantage (Hart and Dowell 2011:1465). The difficulty of imitating a resource that is set within a socially complex environment will make it costly to imitate for other firms (Barney 2014:24). The value of socially complex resources to a firm is when it enables the firm to develop and implement strategies that can lower the firm's net cost or increases of the firm's revenues.

2.3.6. The distinction between resources and capabilities

Within the nature of the 'tangibility' of resources, there are debates on the different competitive effect of both tangible and intangible resources. Some authors like Wernerfelt (1984b) and Barney (1991a) address them as 'resources', others refer to them as 'capabilities'. In this section, the researcher would like to introduce a few examples of this debate.

Resources have also been defined as *'stocks of available factors that are owned or controlled by a firm which can then be converted into final products and services, (Amit and Schoemaker 1993) while capabilities are the ability of the firm to deploy resources using a combination of organizational processes. In line with the statement at the beginning of this chapter, that the resource-based approach been explored in this study is based largely on the work of Jay Barney, it is imperative that his definition is used. According to Barney (1991:101) 'Firm resources are expected to include all assets, capabilities, organisational process, from attributes, information, knowledge controlled by a firm that enables the firm to conceive of and implement strategies that improves its efficiency and effectiveness'.*

Capabilities have been defined as a *'firm's capacity to deploy resources, usually in combination, using organisational processes to effect the desired end'* by Amit and Schoemaker (1993:35). However, Barney (1997:144) has limited the definition of capabilities to *'include only those internal attributes that enable the firm to coordinate and exploit its other resources'* In an earlier work, (Prahalad and Hamel 1990) qualified the term 'resources' and developed the concept of 'core competencies'. The ability of firms to constantly develop new capabilities was emphasised by (Teece, Pisano and Shuen 1997) as 'dynamic capabilities'. Resources have also been defined as *'inputs into a production process and may include capital equipment, skills of employees, patents, brand names'* (Grant 1991:118) and may not be productive on its own. It requires a *'capability, which is the capacity to perform the task or activity'* (Grant, 1991:119).

Considering the changing nature of the environment in which resources are employed, Teece *et al.* (1997) had considered the dynamic nature of capabilities. Capabilities were stated to be the ability of the firm to integrate, build and reconfigure internal and external competences to address changes in its environment.

2.3.7. Key assumptions of the resource-based approach

Having defined what resources and capabilities are, in the preceding sections, it becomes necessary to address other aspects of the resource-based view. These are,

2.3.7.1. Role of Competitive advantage

In his work on organizational culture, Barney (1986) indicates that competitive advantage is not easily imitated and is assumed to be the source of superior performance. Competitive advantage is attributed to the ownership of a valuable resource that enables the firm to do something more cheaply than competitors and the assumption is that a firm's culture can be a source of sustainable competitive advantage if that culture is valuable, rare, and imperfectly imitable.

Superior performance is thus based on developing a set of resources and deploying them in well-conceived strategy leading to another set of assumptions that resources cannot be valued in isolation as it depends on the interplay of market forces as well (Lippman and Rumelt 2003, Collis & Montgomery 2008) and that a firm can be viewed as a bundle of resources as long as two key conditions are met: the resources are not co-specialized and there are large numbers of buyers and sellers for each product and input. Since firms operate within an industry structure, the study now addresses how industry structure can influence competitive advantage of any firm operating within that industry.

According to Barney (1991), resource-based logic assumes that firms exist solely for the purpose of profit maximisation and that managers of these firms behave in a rational manner while trying to maximise profits in markets.

In addition to this assumptions the resource-based approach, distinguishes itself from other strategic management theories by making two key additional assumptions.

- (i) The first assumption is *resource heterogeneity* that assumes that competing firms may process different bundles of resources. Heterogeneity incorporates the assumption that resources are scarce and are non-substituted in the event that a firm cannot to use another similar resource to perform the same strategy.
- (ii) The second assumption is that these resource differences will persist *over time*.

2.3.7.2. 'Assets' within the resource based approach

Assets and their classification resources have already been defined within the resource based approach (Grant 1991, Barney 2001). However, this study is interested in role of 'invisible assets' in creating competitiveness advantage. The relationship between both

tangible (visible) and intangible (invisible) resources has already been addressed in the beginning of this section.

'Invisible assets' are defined as information-based resources (technology, customer trust, brand image, control of distribution, corporate culture and management attributes) that are necessary for competitive advantage in conjunction with physical visible assets (Itami 1987:12). For a firm, invisible assets are the real source of competitive power because of the following attributes described by (Itami 1987: 12):

- (i) They are hard and time-consuming to accumulate
- (ii) They can be used in multiple ways, simultaneously
- (iii) People are both accumulators and producers of invisible assets.

In the resource-based approach, invisible assets are presumed to be accumulated either directly when a firm, follows a deliberately chosen strategy or as a result of its daily operation in an industry (Barney and Clark 2007:21). Although, accumulation and maintenance of invisible assets through operations is more time-consuming, it has been argued to be the most reliable of a firm's asset (Barney and Clark 2007:21). The accumulation of invisible assets has been argued to be a balance between both direct deliberate chosen strategy as well as the actions of firms daily operation within an industry, (Itami 1987). Other authors (Prahalad and Bettis 1986, Prahalad and Hamel 1990) emphasised the potential of sharing less tangible assets or invisible assets across business, while developing an approach to understand corporate diversification. In conjunction with this view, Prahalad and Bettis (1986: 491), looked at shared intangible assets as a firm's dominant logic. A firm's dominant logic was called '*a mindset or a worldview or conceptualization of the business and the administrative tools to accomplish goals and make decisions in that business.*' (Barney and Clark 2007:21) refers to this dominant logic as an economic justification for corporate diversification as well as an intangible basis for our understanding why firms enter specific markets

2.3.7.3. The concept of 'value' within the resource based approach

Resources have been defined as being valuable '*when the enable the firm to conceive of or implement strategies that can improve its efficiency and effectiveness*' (Barney 1991:106). The notion of competitive advantage within the resource based view has

also been defined as being '*implementing a value creating strategy not simultaneously been implemented by any current or potential competitors*' (Barney 1991:106). Examples of resources that can be used to implement value creating strategies have been defined in several works, (Hitt and Ireland 1986, Grant 1991, Thompson and Strickland 1992, Amit and Schoemaker 1993, Collis and Montgomery 1995).

Barney and Clark (2007:25) have listed some of these *value creating resources* as:

- (i) Physical capital resources (Williamson 1975),
- (ii) Financial capital resources and human capital resources (Becker 1964) cited in Barney and Clark (2007:25).
- (iii) Organizational capital resources (Tomer 1987), cited in Barney and Clark, (2007:25).

The concept of 'Value' within the resource-based view has been argued to indicate a strategy to create 'economic value' (Barney and Clark 2007:25). Thus 'economic value' is also included with the definition of firm level competitive advantage (Barney and Clark 2007:25). Economic value is defined as something that is created by an enterprise while providing a good service and lies between 'perceived benefits' and 'economic cost' to the enterprise (Peteraf and Barney 2003: 314), cited in Barney and Clark (2007:25).

According to Barney and Clark (2007:26), this definition of economic value in resource-based approach is unique:

- (i) It presents a net benefits approach to value creation rather than pure cost driven approach
- (ii) It is a view of value creation linked to fundamental economic principles, their value for money is linked to total surplus
- (iii) It emphasizes perceived benefits

2.3.7.4. Causal ambiguity

The concept of causal ambiguity is linked to competitive advantage and inimitability and was originally proposed by Lippman and Rumelt (1982) who suggested that firm heterogeneity occurs because firms find it difficult to imitate a rival's product due to the presence of causal ambiguity in the firm's action. In other words causal ambiguity is a

condition under which neither a firm nor its rivals can determine the cause of a firm's performance, (Powell, Lovaglio and Caringal 2006:3).

This can be due to the following issues

- (i) A competence of the firm is complex or firm specific
- (ii) The path from competency to performance is impossible to specify
- (iii) A large number of competencies interact in ways that resist precise articulation

This thesis has already discussed that the state's resource-based approach is not well understood or in other words suffers from 'causal' ambiguity'. Given that ambiguity is also issues around perception, subject to biases and distortions and sometimes based on over estimation of individual competences by firms, it has the potential to suggest new theoretical connections and empirical possibilities, (Powell, Lovaglio and Caringal 2006:5).

2.3.8. The extension of the RBV theory

Tables 1-3 below show some of the extensions and themes with the RBV theory of the firm. While the list is not exhaustive, it provides a grouping of the extensions and themes at the

- (i) Firm level
- (ii) Institution level and
- (iii) 'State' level

At the firm level, the extension of the RBV theory has related to the conditions in which resources become valuable, (Priem and Butler 2001), as well as the nature of how historical conditions under which resource bundles create inimitability, (Dierickx and Cool 1989) having explored within the original RBV theory of the firm. Extensions of the RBV have also focused on the dimensions of firm size and international sophistication, MNC management, strategic alliances, market entry and international entrepreneurship (Peng 2001:809). However according to Armstrong and Shimizu (2007:961), three key approaches have extended the RBV theory of the firm.

These are:

- (i) The 'dynamic resource-based view' of the firm proposed by Helfat and Peteraf (2003).
- (ii) The relationship between resources and strategy implementation (Hitt *et al.* 2001).
- (iii) The integration of hyper- competition with the resource based view of the firm by D'aveni (1995).

Some extensions of the RBV at the firm level are listed in Table 1

The Institution and its integration have been explored at predominantly the MNC level particularly through the interactions of headquarter-subsidary relationships, (Peng 2001:809). However it was the work of Oliver (1997), which extended the RBV into institutional theory to explain the competitive advantage from specific context. Later this has been extended into the Institution-based view of Peng (2001) which has been used in the extension of the RBV in this study.

Some extensions of the RBV at the firm level are listed in Table 2

At the state level, the extension of the RBV has been in terms of the nature of the strategy of the state owned enterprise (SOE) and has been addressed in Peng and Heath (1996). Extension of the RBV theory to include the social capital of the state as an intangible resource has been proposed by Peng and Luo (2000), while the national environmental context of corporate level diversification had been explored within the RBV by Tallman and Shenkar (1990).

At the state level, the RBV theory has very limited extensions as Table 3 indicates. The value of this thesis lies in the in-depth understanding of the context of the state.

Table 1: Extensions of the RBV at the firm level

RBV Extension	Theme	Authors
Theorized about how a firm's resources influence its growth; in particular, growth is constrained when resources are inadequate	Firm level competition	Penrose (1959)
Explained the concepts of inimitability and causal ambiguity; these concepts became core elements of the resource-based view (RBV)	Inimitability	Lippman & Rumelt (1982)
Emphasized the value of focusing on firms' resources rather than on their products; coined the term resource-based view	Value of firm resource	Wernerfelt (1984)
Theorized about how organizational culture could be a source of sustained competitive advantage	Competitive advantage	Barney (1986)
Developed the notion that resources are especially useful when no effective substitutes are available	Substitutes	Dierickx & Cool (1989)
Presented and developed the core tenets of RBV; presented a detailed definition of resources; and articulated the full set of characteristics that make a resource a potential source of competitive advantage (i.e., valuable, rare, inimitable, and non-substitutable)	RBV	Barney (1991)
Highlighted the value of resources and synergy between resources in the context of diversification	Diversification	Harrison, <i>et al.</i> (2001)
Characterized CEOs as firm resources that possess varying (idiosyncratic) qualities and quantities of general, industry- specific, and firm-specific skills	Industry	Castanias & Helfat (2001)
Organizational identity proposed as a core competency leading to competitive advantage	Competitive advantage	Fiol (2001)

Table 1: Extensions and Themes of the resource-based theory at firm level - *contd*

RBV Extension	Theme	Authors
Combined the RBV with industrial-organization (IO) economics in order to demonstrate that RBV was developing as a new theory of the firm	Extension to IO economics	Conner (1991)
Further delineated the RBV by relating it to distinctive competencies, organizational economics, and theory on industrial organization	Distinctive competencies	Mahoney & Pandian (1992)
Introduced the concept of combinative capabilities; emphasized the importance of knowledge as a resource	Knowledge as resource	Kogut & Zander (1992)
Split the overall construct of resources into resources and capabilities	Splits resources and capabilities	Amit & Schoemaker (1993)
Outlined the conditions under which competitive advantage exists	Competitive advantage	Peteraf (1993)
Introduced and developed a conceptual spin-off from the RBV called the natural-resource-based view of the firm	Extension to natural resources	Hart (1995)
Articulated the knowledge-based view of the firm as a spin- off of RBV	Extension to Knowledge	Grant (1996)
Tested the resources–performance link while measuring resources directly	Performance of Resource	Miller & Shamsie 1996
Identified situations where the application of opportunism- based arguments and knowledge-based arguments may lead to opposite predictions regarding the organization of economic activity	Competition	Conner & Prahalad 1996
Firm-specific resources consist of unique tangible and intangible assets	Resources	Eisenhardt & Schoonhoven (1996)

Table 1: Extensions and Themes of the resource-based theory at firm level - *contd*

RBV Extension	Theme	Authors
A firm's competitive advantage is a function of a set of firm-specific resources and capabilities that are valuable, rare, and imperfectly imitable and for which there are no commonly available substitutes	Firm	Barney (1991), Brouthers, Brouthers & Werner (2008)
Resource endowments are unevenly distributed and not easily transferred, competitive advantage stems from firms possessing and using these varying resource combinations	Resources	Barney (1991)
Value is derived from the fit of the resource with the external environment	Value of resources	Black & Boal (1994)
Firm-specific resources can be conceptualized as a complex network or bundle of factors that interact with each other, providing a sustainable competitive advantage	Bundling of resources	Black & Boal (1994)
The dynamic capabilities perspective was an extension to the resource-based theory that explains how firms adjust capabilities in rapidly changing markets	Capabilities	Teece, Pisano, & Shuen (1997)
Entry mode choice is important because it represents the organizational structure through which resource-based advantages are exploited in an international context	Resources and market entry	Barney (1997)
Possessing resources is not enough to create an advantage; firms also need to be organized to take full advantage of their resources to attain a competitive advantage	Firm	Barney (1997)
Built on RBV ideas to introduce the concept of dynamic capabilities; in particular, explained competitive advantage as arising from the confluence of assets, processes, and evolutionary paths	Dynamic capabilities	Teece, Pisano, & Shuen (1997)
Initiated discussion of how the excess profits derived from resources might be appropriated by various stakeholders	Stakeholders	Coff (1999)
Explained the contributions of RBV to entrepreneurship research and articulated further contributions that could be made	Extension to entrepreneurship	Alvarez & Busenitz 2001

Table 1: Extensions and Themes of the resource-based theory at firm level - contd

RBV Extension	Theme	Authors
Debated the usefulness of RBV as a theory of strategy and organization	Criticisms of RBV	Priem & Butler (2001a, 2001b), Barney (2001)
Recognition of 'opportunities and opportunity seeking behaviour' as a resource as well the process of organizing and combining resources is a resource on its own	Resources	Alvarez and Busenitz (2001)
Explained the contributions of resource-based theory (RBT) to human resource management research and articulated further contributions that could be made	Extension to entrepreneurship	Wright, Dunford, & Snell (2001)
Identified the impact of RBV on related subject areas	Extension to related subjects	Barney, Wright, & Ketchen (2001)
Built theory about the information firms should emphasize as they attempt to purchase scarce resources	Resource criteria	Makadok & Barney (2001)
Synthesized ideas on excess profits offered by RBV and theory on dynamic capabilities	Dynamic capabilities	Makadok (2001)
Initiated discussion of the micro-foundations of RBV by introducing a payments perspective	Micro foundations	Lippman & Rumelt (2003)

Table 1: Extensions and Themes of the resource-based theory at firm level - contd

RBV Extension	Theme	Authors
Introduced strategic entrepreneurship as recognizing the resources required to exploit growth opportunities in order to create and sustain competitive advantage	Extension to entrepreneurship	Ireland, Hitt, & Sirmon (2003)
Introduced and explained the concept of higher order capabilities	Capabilities	Winter (2003)
Competitive dynamics research examines the moves and countermoves that rivals make in an effort to gain advantageous and lucrative positions in the market	Rivalry	Ketchen, Snow, & Hoover (2004)
Built theory about the micro-foundations of dynamic capabilities by emphasizing the roles of cognition and hierarchy	Dynamic capabilities	Gavetti (2005)
Built conceptual bridges between RBT and property rights theory	Extension	Foss & Foss (2005)
Successful firms are those that learn to exploit current resource-based advantages and develop (explore) new resource-based opportunities	Firm	Gupta, Smith, & Shalley (2006), Luo, (2002), Madhok (1996), March (1991), Tsang (2000)
Specified the nature and micro-foundations of the capabilities necessary to sustain superior enterprise performance in an open economy with rapid innovation and globally dispersed sources of invention, innovation, and manufacturing capability	Micro foundations	Teece (2007)
Built theory about the underexplored processes (i.e., the “black box”) that lie between resources on the one hand and superior profitability on the other		Sirmon, Hitt, & Ireland (2007)
Reviewed and critiqued the research methods used in resource-based inquiry	Criticisms	Armstrong & Shimizu (2007)
Used meta-analysis to establish that strategic resources explain a significant portion of variance in performance across extant evidence	Resources	Crook, Ketchen, Combs, & Todd (2008)

Table 1: Extensions and Themes of the resource-based theory at firm level - *contd*

RBV Extension	Theme	Authors
The source of value from the RBV perspective is that value flows from resources that possess specific attributes	Value of resources	Barry, Clulow and Gertsman (2007)
Considered the merits of prominent critiques of RBT	Criticisms	Kraaijenbrink, Spender, & Groen (2010)
Explains how heterogeneous resource positions come into existence.	Resource	Maritan and Peteraf (2011)
Explore resource orchestration processes during the start-up, growth, maturity, and decline stages of firm development.	Resource	Sirmon <i>et al.</i> (2011)
Theoretical examination of the bargaining process for rents	Resource	Sun, Wright, and Mellahi (2010)
Identify individual- and firm- level components that interact to grant some firms unique capabilities in attracting, retaining, and motivating human capital	Resource combination	Coff and Kryscynski (2011)
Learning from prior experience to identify and exploit opportunities that will generate greater competitive advantage	Resource combination	Baron & Ensley (2006)
Creation and capture of private and social value by firms that adopt corporate social responsibility (CSR) strategies	CSR and creation of social value	McWilliams and Siegel (2011)

Table 2 : Extensions and Themes of the resource-based theory at ‘Institutions’ level

RBV Extension	Theme	Authors
The development of the resource-based perspective to predict the sequencing of a firm's resources	Resources	Pettus (2001)
A Firm's success stems from its strategies conforming to the specific demands of the external institutional environment in which it does business	Institutional environment	DiMaggio & Powell (1983), Deephouse (1996), Dacin, Oliver, & Roy (2007)
Firms lacking institutional context-specific knowledge may experience resource-based value erosion	Institutional environment	Black & Boal 1994
When firms enter countries where the institutional context greatly differs from the home market, resource-based advantages may not be applicable or may need to be supplemented with target market-based resources	Resources and market entry/ Institution -Resource bundle	Chang & Rosenzweig (2001), Eisenhardt & Schoonhoven (1996) Madhok (2002), Oliver (1997).
Identifies institutional quality, of which corruption is one dimension, as the key driver of economic growth and prosperity	Institutions	Knack and Keefer (1995)
A country's specific institutional environment is which includes governmental or political actions (often referred to as country risk), legal regulations, and an informal dimension called social norms create both opportunities and barriers to business activity.	Institution -Resource bundle / Political resources	Scott (1995), North (1990)
Theorized about how RBV and institutional theory together can better explain sustained competitive advantage	Extension into Institutions	Oliver (1997)
Resource-based advantages tend to be viewed from a particular institutional context and that resources are deployed based from Internal and external Institutional factors	Institution -Resource bundle	Oliver (1997), Brouthers, Brouthers & Werner (2008)

Table 2: Extensions and Themes of the resource-based theory at ‘Institutions’ level *contd*

RBV Extension	Theme	Authors
Examined how to reconcile competing predictions from RBV and organizational economics about the choice of organizational form	Nature of organizations	Combs & Ketchen (1999)
Resource-based advantages have different levels of applicability in different external (national) institutional contexts	Institution -Resource bundle	Priem & Butler (2001)
Resource-based advantages and institutional differences have a direct influence on the strategic decision concerning international entry	Institution -Resource bundle	Brouthers (2002), Brouthers & Hennart (2007) Erramilli, Agarwal, & Dev (2002)
When firms enter countries where the institutional context greatly differs from the home market, resource-based advantages may not be applicable or may need to be supplemented with target market-based resources	Institutional environment	Chang & Rosenzweig 2001), Eisenhardt & Schoonhoven (1996), Madhok (2002), Oliver (1997).
Institutional idiosyncrasies create market imperfections that may influence the value of resource-based advantages	Institutional environment	Henisz (2003), Wan (2005).
Introduced “transitional identity” as a key concept for understanding identity change during mergers and other major organizational shifts such as spin-offs	Identity of organizations	Corley & Gioia (2004)

Table 2: Extensions and Themes of the resource-based theory at ‘Institutions’ level *contd*

RBV Extension	Theme	Authors
Returns to entrepreneurial activities and rent seeking are determined by the institutional context	Institutions	Mehlum, Moene and Torvik (2006)
The relationship between resources and strategy implementation is organized by the Organization	Nature of Organizations	Hitt. <i>et al.</i> (2001), Newbert (2007).
Failure to incorporate differing national institutional contexts into the resource-based view encourages the flawed perspective that resource-based advantages are independent of the context in which they are employed	Institution -Resource bundle	Brouthers, Brouthers & Werner, (2008)
Superior resource-based advantages may not provide competitive advantage in institutionally disparate markets	Institutional environment	Brouthers, Brouthers & Werner, (2008)
An institutional approach that has utilized elements of the RBV and tried to combine with the institutional theory of North (1990)	Institutional approach extension	Dunning and Lundan (2008)

Table 3 : Extensions of the RBV at the 'State' level

RBV Extension	Theme	Authors
Thicker resource stocks of states will translate into more corruption	Resources	Leite and Weidmann (1999)
Resource abundance increases the payoffs from unproductive rent seeking behaviour and thus lowers overall growth of the economy	Resources	Torvik (2002)
The RBV extended to analyze the effectiveness of political strategy	Extension into political resources	McWilliams <i>et al.</i> (2002)
Integration of political action of the MNC and business government linkages	Political strategy	Blumentritt and Nigh (2002)
Extends a first mover competitive advantage of firms into deploying resources and capabilities to shape political environment	Resources and capabilities	Frynas and Mellahi(2003)
Creates the RBV of politics utilizing political resources	Extension into political resources	Dahan (2005)
Nations possessing oil and certain mineral resources are associated with "bad" institutions and can be linked with corruption	Governance	Isham et al. (2005)
Explores the process of acquiring firm specific political resources	Extension into political resources	Frynas <i>et al</i> (2006)
Examines the role of the linkages between business and government relations	Political resources	Woll (2007)
Firms fiercely compete in political markets and this competition is characterized by informal relationships	Political resources	Oliver and Holzinger (2008)

Table 3: Extensions and Themes of the resource-based theory at the ‘State’ level- *contd*

RBV Extension	Theme	Authors
Resource abundant countries have lower economic growth and this is tied to Governments as actors in rent seeking resources	Government	Bulte and Damania (2008)
Uses RBV to explore firm’s non-market capabilities	Extension into political resources using dynamic capabilities	Oliver and Holzinger (2008)
Governance as a supporting mechanism to add value to resources	Governance	Zahra, Filatotchev, and Wright (2009)
Attempt to analyze government policy mindsets and firm level activity	Government linkages	Barron (2010)
Attempted to integrate the RBV with institution-based view to explain Chinese outward FDI.	Extension of RBV into tiny state	Cui and Jiang (2010)
Integrates the RBV with corporate political activity	Political resources and capabilities	Lawton, McGuire and Rajwani (2013)

2.3.9. Criticisms of the Resource based view of the Firm

The biggest criticism against the resource-based view lies in its inability to measure resources and more precisely the measurement of intangible resources (Godfrey and Hill 1995, cited in Barney, Ketchen and Wright 2011:1311). Although the RBV focuses on the nature of resources and the combination of resource capability bundles in various contexts, it has still failed clearly explain where resources and capabilities come from as well as the exact process of creating resources and capabilities (Barney 2014:26). With its focus, on the firm, the RBV assumes that firms are profit maximising entities that are predictable in the way the operating distinctive markets and that information about the future value of a resource is not always clear,(Kraaijenbrink, Spender and Groen 2010:350)

The RBV has also failed to clearly demonstrate the process of how capabilities and resources can develop to create sustainable competitive advantage, (Barney 2014:26). It is these disconnect between the resource-based view and the measurement of both tangible and intangibles that leave the central questions of the resource based view theory unanswered and also leads to the failure of empirical test of the RBV, (Molloy *et al.* 2011:1497). Although it is difficult to isolate unobservable resources, Levitas and Chi (2002:960) states that a full understanding of the nature of this kind of resources can help to understand the unique advantage of specific firms. According to Rouse and Daellenbach (1999) cited in Armstrong and Shimizu (2007:966), inductive field interviews should be conducted to understand the nature intangible resources. This study, attempted to follow these by utilising in-depth field interviews to extract the primary data necessary to understand how these intangible resources interact with the RBV. The resource-based view of the firm has been accused by Priem and Butler (2001) and Armstrong and Shimizu (2007) as one that merely relabelled independent variables as 'resources, and dependent variables as 'competitive advantage.

The resource based view has also been criticised for being too static, (Priem and Butler 2001, Newbert 2007, Armstrong and Shimizu 2007). The resource-based approach has also been criticised for not clearly explaining differentials between firms outcomes, (Kraaijenbrink,Spender,& Groen 2010). Hansen, Perry and Reese (2004:1280) has also criticised the resource based view as '*not identifying what a firm does with the resources it possesses*, rather the RBV concentrates on the '*possession of resources*'. Instead, resources must be accumulated bundled and leveraged, (Ireland, Hitt and Sirmon 2003).

Other criticisms are:

(i) Neglect of the market environment in the RBV

The second criticism of the resource-based view of the firm is within its perceived neglect of the market environment in which resources are developed, deployed and exchanged (Ghemawat 1991). The focus of the RBV on purely internal factors was also criticised by, (Priem and Butler 2001:63) who indicated that value of the resource is the interplay of both internal factors of the firm as well as determination of the value of the resource by external factors. Although there has been considerable literature on the specific acquisition resources, the diversification of resources by firms and the organisational nature of resources, Barney, Ketchen and Wright (2011) had indicated that there is very little in the RBV literature that has addressed the specific nature of the market environment and the role of institutions within the market environment.

(ii) The difficulty of empirically testing the RBV

One of the most important criticisms of the resource based view theory was by Priem and Butler (2001) who contested the testability of the RBV. The value of a firm's resource is determined by external factors and clearly impacts on the rarity of the resource, (Priem and Butler 2001:63). It fails to predict or explain competitive advantage rather the RBV depends on the explanation of competitive advantage once it has been identified, (Priem and Butler 2001:64). However, Armstrong and Shimizu (2007:963) had reviewed 125 empirical RBV studies from 1991 to 2005 and confirmed some challenges in empirically testing the RBV. They also confirm that one of the limitations is that the concept of 'resources' is an all-inclusive term and extremely expansive term (Armstrong and Shimizu 2007:966). In their work, Kraaijenbrink, Spender and Groen (2010:352) criticise the RBV by stating that it has no operational validity and does not explain how managers of firms can develop or obtain the attributes of a resource and thus develop the competitive advantage of their firm.

(iii) The neglect of the dynamic nature of industry

Although the RBV is concerned with the ability of resources to generate rent (Lippman and Rumelt, 1982), the nature of how resources are discovered has been bypassed in the resource-based view of the firm (Foss and Ishikawa 2007:750) and is considered to be a static framework. Given that the nature of an industry in which firms compete for resources is dynamic, Foss and Ishikawa (2007:650) have argued that the RBV fails to look at the dynamic nature of resource creation. Within the RBV, resources have to meet specific conditions to yield a sustained competitive advantage (Barney 1991) but Foss and Ishikawa (2007:753) state that this position is too rigid since not every firm competing in an industry will be able to meet the specific conditions required for competitive advantage.

(iv) The RBV's applicability is too limited

Another criticism of the RBV argues against the notion of the uniqueness of a resource and thus denies that the RBV has any potential for generalisation. A support for this criticism comes from the work of Connor (2002) cited in Kraaijenbrink, Spender and Groen (2010:352) as stating that the RBV applies only to large firms with significant market power. The applicability of the RBV has also been considered as a limitation by its creator who admits that the basic premise of the RBV will hold only '*long as the rules of the game in an industry remains fixed*', (Barney 2002) cited in Kraaijenbrink, Spender and Groen (2010:353).

(v) The definition of resource is unworkable within the RBV framework

One of the most critical criticisms of the RBV is in its ability to properly define a resource. Kraaijenbrink, Spender and Groen (2010:358) have given several examples of the definitions of a resource in their article criticising the RBV. This weakness of the inability of the RBV to define what a resource is makes it difficult for us to distinguish between resources and the uniqueness of resources. It also leads then to the inability to explain how differences in resources can contribute to a firm's sustained competitive advantage.

Having introduced some of the criticisms that have plagued the RBV, the next section will illustrate how elements of the resource-based view theory have been incorporated into the conceptual framework.

2.3.10. Contribution of the RBV to the theoretical approach of the study

Having described the essential attributes and assumptions of the resource based view theory of the firm; this section will now look at the contribution of the resource-based view into the resource-based view of the state, which is the basis of this thesis. From the review of the literature on the resource based view theory of the firm, this study has identified and selected three aspects to be included in the resource-based view of the state.

These are:

1. The role of intangible resources in resource seeking
2. The deployment of resource bundles within specific institutional contexts.
3. The causal ambiguity within the resource based view theory of the firm.

The study will now address reasons behind the selection into the framework.

2.3.10.1. The role of intangible resources

In preceding paragraphs, the inability of the resource-based view to examine the nature of intangible resources or invisible assets that help to create value has been demonstrated. 'Invisible assets' have already been defined within the RBV as information-based resources (technology, customer trust, brand image, control of distribution, corporate culture and management attributes) that are necessary for competitive advantage in conjunction with physical visible assets (Itami 1987:12)

The key issue in measuring the intangible resource is due to its linkage to managerial intent or decision and are not randomly distributed among firms, (Leiblein and Miller 2003, cited in Molloy *et al.* 2011:1497). This study incorporates the intangible resource of the state, into a more theoretical grounding as suggested by the multidisciplinary assessment process (MAP) of Molloy *et al.* (2011). The nature of intangible resources provided by the state to firms following its strategic intent is later examined within the institutional context of the Indian state in chapter 4. The importance of incorporating intangible resources into the resource-based view of the state (RBS) is due to the following reasons;

- (i) Intangibles do not deplete or deteriorate with use and can confirm benefits over a longer time frame to a firm, (Cohen 2005 cited in Molloy *et al.* 2011:1498).
- (ii) Multiple firms can use intangibles simultaneously in a given context without restricting its use, (Marr and Roos 2005 cited in Molloy *et al.* 2011:1498)
- (iii) Intangibles are immaterial and difficult to exchange and they cannot be separated from its source, (Marr and Roos 2005 cited in Molloy *et al.* 2011:1498)

Within the institutional context, the value of intangibles is due to the following:

- (i) Firms develop intangibles through complex social and organisational processes, (Winter 2003 cited in Molloy *et al.* 2011:1499)
- (ii) Rivals that attempt to create or substitute the intangible in a specific market may suffer inefficiencies (Dierickx and Cool 1989, cited in Molloy *et al.* 2011:1499)

2.3.10.2. The deployment of resources in a specific context

In earlier paragraphs of this chapter, the study has already identified that resources are being deployed to achieve or protect a specific market position. The deployment of resources depends on institutional frameworks of the home market as well as on the nature of the market where these resources are being deployed, (Wan 2005:162). From a purely economic of market-driven view, only resource deployments that can be quantified are observed. Yet within a competitive industry, resources may be combined in multiple ways,

(Foss and Ishikawa 2007:756) and may produce new forms of resources that can be used by firms. Dierickx and Cool (1989:1504) had implied that firms should focus on the uniqueness of resources rather, than the competitive environment. In this study, resource deployment in combination with intangible resources within a specific institutional context is addressed.

In addition, the resource deployment within a non-economic rationale is also explored as Dierickx and Cool (1989:1505) had indicated that not all resource bundles or deployment could be quantified for a tangible value. Resource deployment within a historical context have an institutional context can be used to implement a specific resource acquisition strategy according to Dierickx and Cool (1989:1505) and may also reflect the strategic intent of the state.

2.3.10.3. Causal ambiguity within resource seeking

Within the RBV, one of the key issues driving the value of a resource lies in its inimitability or the premise that specific resource capability bundles cannot be easily imitated. According to (Peng and Meyer 2011:110), imitation is difficult due to causal ambiguity. The thesis has already demonstrated the linked to competitive advantage and inimitability as proposed by Lippman and Rumelt (1982). Causal ambiguity has been defined as the 'difficulty of determining the cash determinants of a successful firm's performance' (Peng and Meyer 2011:110) and is used to explain the resource acquisition strategy of the Indian state in this thesis. The importance of causal ambiguity to the resource-based view of the state lies in the difficulty of understanding what exact resource deployment conditions is used to create an advantage for firms in a specific market context. Causal ambiguity can also explain why the role of the state in specific industries cannot be explained within a single theoretical approach.

The other value of causal ambiguity lies due to our perception that it arises from social complexity or in other words the different possible combinations of both tangible and intangible resources that a firm can make. Social complexity also draws heavily on the cultural context, institutional context and the organisational context to create resource bundle that they also include intangible invisible assets, (Peng and Meyer 2011:111). The embedding of causal ambiguity in both a social and institutional context provides an inimitability advantage to firms that possess it. In other words causal ambiguity is a condition under which neither a firm nor as rivals can determine the cause of a firm's performance, (Powell, Lovullo and Caringal 2006:3). Causal ambiguity is also issues around perception by firms of an organisation's strategic intent and has the potential to suggest new theoretical

connections and empirical possibilities, (Powell, Lovallo and Caringal 2006:5). Hence, this is used as a useful complement of the resource-based view of the state (RBS) approach.

The three different aspects of the resource based view theory of the firm are shown together in figure 3 below.

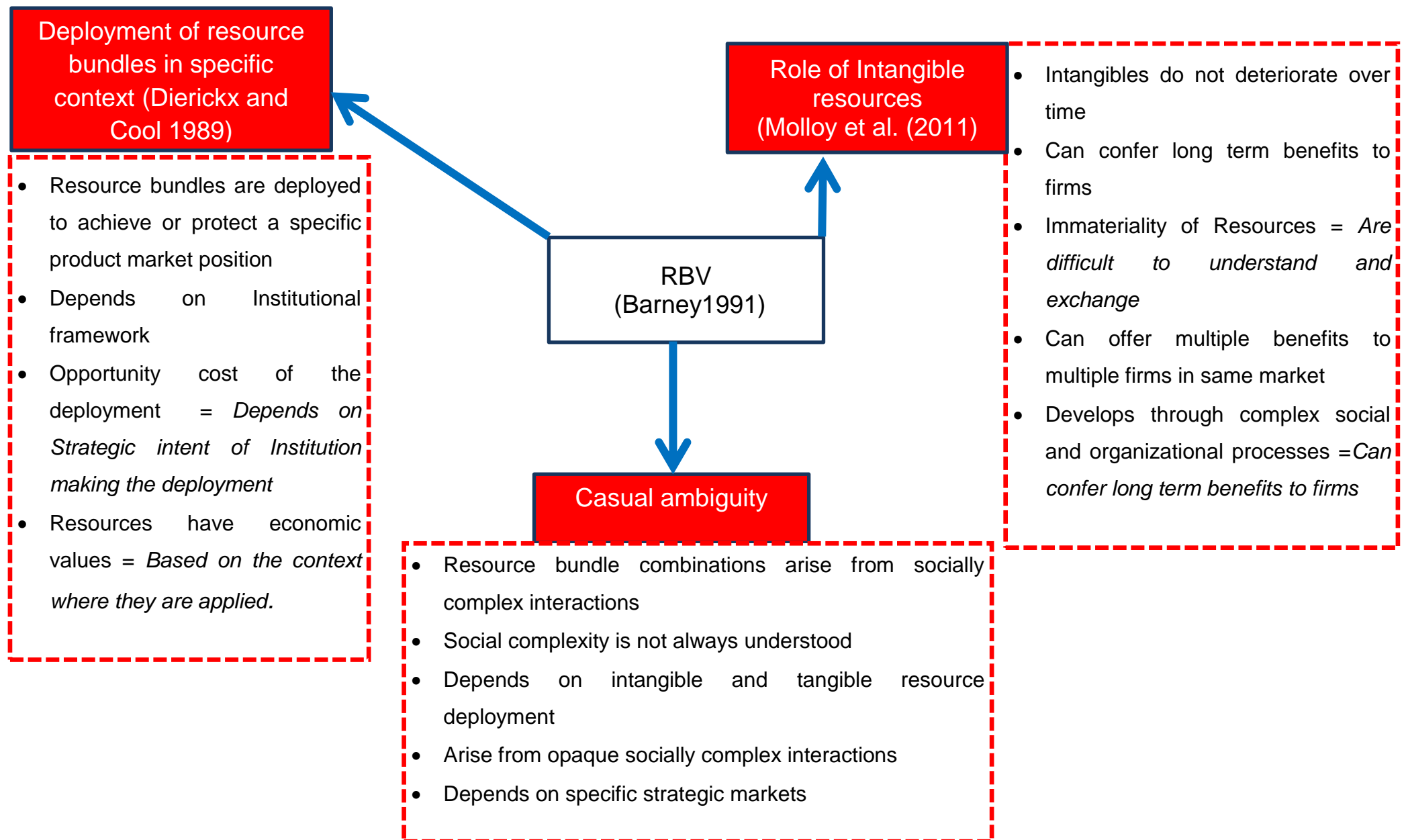


Figure 3: The contribution of the RBV of the firm

2.4. Section Two – The Institution- based view of the firm (IBV)

Within the international business literature the role of institutions has been part of the literature on internationalisation. According to Dunning and Lundan (2008), institutions have featured within the literature as follows:

- (i) General business history literature
- (ii) The role of culture and social logical analysis of culture in organisations
- (iii) In measuring psychic distance for internationalization
- (iv) The effect of institutions and economic growth and how national institutions impact behaviour of firms.
- (v) The nature of firms seeking to gain legitimacy within the context of values and institutions of host countries

Having defined the importance of institutions within the international business literature, this section is devoted to exploring the position of institutions within the institution based view. The institution based view was coined by Mike Peng in 2002 and has been heavily influenced by his theoretical contribution over time, (Peng 2014, Sauerwald, Lin and Peng 2014, Li, Peng and Macaulay 2013, Sauerwald and Peng 2013, Yamakawa *et al.*, 2013, Sun *et al.* 2012, Peng 2012, Peng and Meyer 2011, Peng and Jiang 2010, Meyer *et al.* 2009, Peng and Pleggenkuhle-Miles 2009, Peng *et al.* 2009, Lu, Tsang and Peng 2008, Peng and Khoury 2008, Peng, Wang and Jiang 2008, Yamakawa, Peng and Deeds 2008, Peng and Delios 2006, Meyer and Peng 2005, Peng and Zhou 2005, Peng 2004, Peng 2003, Peng 2002, Peng 2001).

2.4.1. The development of the institution based view (IBV)

The institution based view (IBV) shown in figure 4 was postulated to address the differences in business strategy implemented by MNEs from Asia and also to take into account, the influences from the 'state' and 'society' on the implementation of business strategy, (Peng 2002:251). Thus, the existing theoretical approaches -the *industry view* and from the *resource-based view* of the firm was been integrated into the *institution-based view* (Peng *et al.* 2009).

The institution based view (IBV) assumes that, in addition to the existing market-based institutional framework and the role of formal institutions, there is a role for informal institutions and other invisible resources that a firm can deploy especially when market-

based institutions fail. Although the concept of 'Invisible assets' is available within the resource based view, the context of how invisible assets interact is lacking in the RBV.

Understanding that the institution-based view (IBV) focuses on the dynamic interaction between institutions and organisation and that strategic choices are a reflection of the formal and informal constraints of the institutional framework, it follows that strategic choices are and outcome of this dynamic interaction (Peng *et al.* 2009:66).

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Figure 3 Institutions, Organizations and Choices from (Peng 2002)

Next, this study will address the key propositions of the institution-based view (IBV).

- I. Institutions create the institutional context for organizations to operate in
- II. The Institution determines strategic choices
- III. Organizations make choices based on the nature of the industry and firm resources

2.4.2. Creating the institutional context for resource seeking within the institution-based view

One of the criticisms, of both the industry based view and the resource-based view is its lack of focus on the context in which firms interact. Wang *et al.* (2008) states that the context within the institutional-based view of strategy that it presents, is centered around the action of a state, the collective institutional framework that it represent and its combined effects on the both domestic and international firms. Supporting this, Peng *et al.* (2009), has

suggested that the context enables the firm to take into account formal and informal influences from the context that a firm operates in. It adds to the industry based view that identifies a position a firm needs to take in reducing the effect of rivalry within industry. It also supports the resource-based view that indicates that firm level capabilities can differentiate successful firms from unsuccessful ones.

However, in her criticism of Penrose (1959), Connell (2008) mentions that the original view of the theory of the firm, was based on the assumption that firms would have no interference from the government. However, in recent terms, Peng *et al.* (2008) have indicated that the institution and structures of institutions matter in the creation and deployment of a business strategy.

Although the role of institutions has been debated within the institutional theory context, (Peng *et al.* 2009) brought to our understanding a notion that there can be an institution-based view of strategy. This view follows from an earlier work by Peng (2002) indicating a need for firms to take into account, the influences from the state and society while implementing its business level strategy.

The institutional view of strategy is built on the premise that institutional frameworks interact with organisations making choices by signalling both acceptable and unacceptable choices. It builds upon the earlier work of North (1990) and Oliver (1997) who had already recognised the formal and informal constraints imposed by the institutional environment on firms making choices.

Two forces are believed to have brought the rise of the institution-based view in strategy according to (Peng *et al.* 2009).

- (i) The first was the new institutional wave in social sciences pioneered by North (1990), Williamson (1975, 1985) and sociologists (DiMaggio & Powell 1983, Meyer & Rowan 1977, Scott 1987, 1995, 2008b) as cited in Peng *et al.* (2009).
- (ii) The second wave was the response to the long-standing criticisms of both the industry based on resource-based view on their indifference to the context in which the interactions act.

According to (Peng *et al.* 2009), it is the context that defines the value, rarity or substitutability of the resource. The importance of institutions in the strategic management

literature became important with the rise of emerging economies, (Peng *et al.* 2009). This is partly due to the lack of institutional infrastructure in some of the early emerging economies that forced informal market-supporting institutions into play.

2.4.3. Institutions within the institution- based view

The institutional framework has been argued to be critical in devising and implementing both formal and informal rules as well as specific incentives to guide the process of knowledge generation within an industry (Dunning and Lundan 2008:577). What is therefore needed is to understand how institutions create the framework for resource based approach and this discussion needs to look briefly at the institutional theory concept.

I. Institutional Theory

Institutional theory is a popular framework in economics and a political science as well as organizational studies,(Bruton, Ahlstrom *et al.* 2010)and is playing a major role in helping to explain forces that shape organizational success in addition to resources that in organization possesses. All as discussed in earlier paragraphs ,the resource based theory of the firm, has looked at access to resources as being essential to firm success, yet these resources are embedded within institutional environments. Institutional theory looks at how organizations or groups increase their competitive advantage by conforming to institutional environment. This environment could be a formal set of rules, informal rules, assumptions and practices of society,(Bruton, Ahlstrom *et al.* 2010) or even expectations of organizational behaviour. Institutional theory does looks at how these influences promote success of an organization rather than looking at resources and efficiency seeking behaviour in traditional economic literature.

2.4.4. Norm, values and constraints within the institution- based view

The forces within institutional theory have been identified in work from sociology, organizational theory, political science and economics. These have been identified into three categories of institutional forces by Scott (2007) as cited in (Bruton, Ahlstrom *et al.* 2010).

- (1) *The regulative pillar-* which comes from studies in economics and presents a model of behaviour based on rules of the game, monitoring and enforcement. Major components of this pillar come from the government policies. (Yamakawa, Peng and Deeds 2008b) identifies two sub- themes within the regulative pillar. The push factor used by institutions to deliberately force firms to expand overseas. As an example, (Yamakawa, Peng and Deeds 2008b) uses the Chinese 'go global' policy which

encourages large state-owned enterprises to move overseas. In contrast, the pull factor of the institutional framework in a target economy is used to attract firms.

- (2) *The normative Pillar*-which represents organizational behaviour based on expectations from the society, professional interactions or other organizational interactions. Normative systems are composed of values and norms to which people and organizations conform.
- (3) *The cognitive Pillar* – this represents models of behaviour based on subjective rules based on culture and language

The State's role in the institutional theory, facilitate actions like removal of conditions that create entry barriers, regulatory environments that could create favourable conditions for specific firms or the creation and maintenance of an environment that fosters entrepreneurship. These collectively create the formal constraints within which the firm is expected to operate within the institutional based view (IBV) approach.

As with any theory that is interdisciplinary, the institutional theory has two different streams of thought. The sociological/organizational theory branch argues that the effort to achieve the legitimacy and stability in an environment is the prime factor. As a result the views, values, norms of the society are considered essential resources. In contrast the economic/political branch looks at governance structures with and rule systems to be the most critical part of the institutional theory, (Bruton, Ahlstrom and li 2010). We now look at the legitimacy debate in the creation of a framework for resource based approach.

The institutional framework on which the IBV is based has been considered to be a very broad context in which formal and informal rules interact (Lee, Peng &Barney 2007:257) and forms part of the second proposition of the IBV. Although the bulk of literature according to (Peng *et al.* 2009:68) deals with a formal institutional framework, informal social ties and their ability to provide continuity for forms in institutional transitions have also been documented (Peng and Heath 1996). The second part of the IBV states:

- (i) While formal and informal institutions combine to govern firm behaviour, in situations where formal constraints are unclear fail, informal constraints will play a larger role in reducing uncertainty, providing guidance, and confirming legitimacy and rewards to managers of firms (Peng *et al.* 2009:68).

Informal constraints are assumed to offer constancy and predictability in the absence of a well-developed formal market supporting institutions by Peng, (2002:258). Given that some

large business houses are seen to perform elements of the state's function (a theme that is addressed in section 3 of this chapter - the role of the state), the institution-based view argues that informal constraints are embedded within the emerging market enterprises (EME) as well as within developed economies (Peng *et al.* 2009:68).

2.4.5. Institutions and their ability to supply and create legitimacy.

Another important part of the institutional theory is the process of gaining legitimacy for the actions of an organization from institutional actors. In a new market, firms need to rapidly establish legitimacy, a perception that the actions of the firm are desirable and appropriate within a socially constructed norm value and belief, (Yamakawa, Peng and Deeds 2008b). Acceptance of legitimacy by the institutional actors is termed as a resource by Bruton, Ahlstrom and Li (2010) and may even create a competitive advantage over other firms. It also creates entry barriers for new firms wishing to enter a specific industry. The concept of legitimacy building strategies have been identified in doing business particularly in emerging economies, (Peng and Zhou 2005), where the legal environment is particularly weak. Enhancement of legitimacy is also perceived to reduce lower cost of capital for firms in new markets (Yamakawa, Peng and Deeds 2008b).

At the firm level, there is a strong relationship between corporate social responsibility and the way; virtuous firms are rewarded by markets (Doh *et al.* 2010). We also know that firms pursue a specific behaviour in specific markets according to the institutional theory. The concept of organizational reputation is linked to its legitimacy within a particular environment and the amount of cultural support the firm obtains from institutions, within its operating environment. The concept of legitimacy within the institutional context assumes that firms must conform to societal norms and values in order for them to be accepted as good firms, (Doh *et al.* 2010).

On the other hand, institutions have substantial legitimacy, which creates their ability to confer the special advantages on firms that accept their regulatory behaviour. This is in contrast to organizations operating within this environment that may have conflicting demands in their bid to generate legitimacy. Satisfying one demand may create conflict with the other. Therefore Pache and Santos (2010) argues that the presence of conflicting institutional models will create chances for strategic responses from firms. The strategic responses that firms offer to conflicting institutional models are explained in Kraatz and Block (2008) '*as strategic adaptations to institutional pluralism*' and consists of the following responses:

- 1) Organizations may eliminate sources of conflicting institutional demands
- 2) Compartmentalize them and deal with them independently
- 3) Manage them by balancing demands and
- 4) Try to forge a new institutional order

Another model of the responses to institutional demands is the Oliver (1991) model, which explains institutional responses as compromise, avoidance, defiance or manipulation of demands.

A brief summary of these responses is listed below according to Oliver (1991).

- 1) Acquiescence - this is the most passive for response and involves acceptance of all institutional demands
- 2) Compromise - which involves trying to balance organizational needs with institutional demands
- 3) Avoidance - which are attempts to avoid conforming to demands by either exiting the environment or pretending to conform.
- 4) Defiance - an active form of refusal to accept demands in any attempt to remove the source of this demand.
- 5) Manipulation - an active strategy of trying to remove institutional demands by influencing the main actors in these institutions.

Within the institution-based view (IBV), the ability of institutions to confer legitimacy and also define the boundaries of legitimacy on transactions of firms is a recurring theme. By defining the boundaries of legitimacy, (Peng *et al.* 2009), argues that institutions reduce uncertainty and promote rational behaviour on actors was then conditioned to behave within the institutionally defined framework. This notion of institutions conferring legitimacy on firms becomes important in markets where formal constraints are lacking or not clear (Peng *et al.* 2009). In this context, it is the boundaries that are defined by institutions that create and guide the actions of firms operating in this market. The importance of informal practices like networks or corruption are examples of institutional activities that help reduce uncertainty in markets that lack formal institutions.

The second aspect of the Institution based view (IBV) is that the *Industry- based view*, a common aspect that has been addressed on the *resource- based view* too. The industry-based view will now be addressed, in line with the Industry conditions that Peng (2009)

suggests, will determine responses from firms operating in a specific industry. The thesis has already explained in preceding chapters that this study is situated within the energy industry. Hence, the key aspects of the Industry-based view of the energy industry are examined next.

2.4.6. The Industry-based view of the energy industry

This part of the theoretical framework starts with defining the contemporary energy security debate, its historical evolution and the ambiguous nature of energy security strategies within diverse states. The industry view is addressed within the relevance of the energy security theme to this study and is therefore discussed within four interrelated themes:

- (i) The first theme is the *market-based approach* within energy security
- (ii) The second is the *security-based approach* that is interlinked with energy markets.
- (iii) The third is the *Institution based approach* to the industry

2.4.6.1. The Market-based approach in energy security

Energy insecurity has also been defined in market terms by Bohi and Toman(1993:1094) as ‘*the loss of economic welfare that may occur as a result of a change in the price or availability of energy*’. The market- based approach of energy security is presumed to be a market outcome driven by operations of market and the price at which energy resources are available.

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Figure 4: Energy security as defined by the international energy agency (IEA 2015).

The International energy agency defines energy security as '*the uninterrupted availability of energy sources at an affordable price*', (IEA 2015). Within its market orientation approach, IEA defines long-term energy security as mechanisms that look at supply energy in accordance with economic development and sustainable environmental needs. While short-term energy security is defined as a response to sudden changes within a supply -demand balance of energy (IEA 2015).

The market-based approach in the energy industry is driven by both demand dynamics as well as the intent of the state to secure energy assets. Some of the key themes in this debate are examined next.

I. Energy self-sufficiency within the state

Most of the discussion around the theme can be linked to a state of self-sufficiency in terms of energy as well as access to energy assets. This then includes diversification of energy, diversification of geographical sources of energy, a supply chain that is resilient to external shocks, diversification of energy as well as national energy self-sufficiency, (Chester 2010:887). Although energy security literature is dominant on securing oil and gas as primary energy sources, (IEA 2008b, Isbell 2007, Mu'ller-Kraenner 2008, UNDP 2004, Wesley 2007, as cited in Chester (2010:889), electricity is now the world's most dominant form of energy which makes it critical to global energy security, (Chester 2010:889). In the context of this study, India's drive to seeking self-sufficiency in energy security has pitted it against China's existing state driven strategy. Although both states use a mixture of mercantile principles to develop new energy assets, these states are not seen as competitors to existing players in the industry. The argument is that by developing new energy assets, Indian and China are creating more available resources for the global system, (Yergin 2006:74).

Although energy self-sufficiency is the key to gaining a competitive advantage within today's global oil market, there are several transitions that need to be addressed in order to understand how energy security is evolving.

II. Demand Transitions and energy security

There are two radical changes within the energy security debate that are crucial for this study and this come from the work of Victor and Yueh (2010).

- (i) The first transition is a shift in the source of energy consumption from the devil up the economies to the emerging markets

- (ii) The second transition is a shift from a high carbon to a low carbon global energy system. This comes from the pressures of the environmental lobby.

Traditionally dominated by the developed market, most of the future growth of demand for energy is coming from the emerging markets led predominantly by India and China. This demand follows the shift of economic activity to these regions over the past 20 years. The increase in consumption of energy assets from emerging markets has brought a new dimension to the process of energy asset seeking. Given that the Indian and Chinese states depend on imports for at least two-thirds of its total energy demand and that most of the energy acquisition process is opaque, it becomes important to analyse their energy acquisition strategies.

III. Transition from a 'high carbon' to a 'low carbon' global energy system.

Our growing awareness of the environmental impact of energy overuse due to globalisation, the rising emissions of carbon dioxide and its consequent effect on global warming is driving the second transition of energy policy. For governments, climate change and the peer pressure of reducing carbon dioxide and other greenhouse emissions is key to energy resource acquisition (Victor and Yueh 2010:62) Given that the state has a responsibility to respond to environmental challenge, it needs to balance priorities between high energy costs and environmental targets. States also need to factor in environmental consequences; the threat of depletion of natural resources and its institutional legitimacy on climate change into is energy security policy. On one side, the state emphasises its response to environmental challenges including emission reduction targets, while on the other side due to resource scarcity and physical depletion, economic growth has to be linked to lower energy costs (Kruyt *et al.* 2009:2167)

2.4.6.2. The security- based approach of energy resources

Energy security as a policy has been used to improve the reliability and security of supply of energy assets. The inability of governments to quantify its energy security policy as well as different approaches of government policy within different geographical or political contexts has led Kruyt *et al.* (2009:2166) to brand it as 'elusive'.

To address resource seeking with a market based approach, each state creates its own energy security strategy. Some of the key components of this strategy are discussed next.

I. The evolution of energy security

Our modern notion of the energy security paradigm comes from the early 19th century. The discovery of oil as an energy source for the newly invented automobile engine increased the geopolitical importance of this resource. A major shift towards using oil came with the advent of the First World War, when the Royal Navy shifted as energy source from coal to oil (Yergin, 2006:69). Prof Ian Stewart in the 2015 BBC documentary², 'Planet oil' explored the dependence on oil as a primary source of energy for most industries as well as the fact that the British Prime minister, Winston Churchill, drew a political settlement of the Middle East based on its oil assets and their importance to Britain. According to Florini and Sovacool (2009a:7), interest on energy security at the global level became more prominent during the first and the second world wars, the energy crisis of the 1970s and the more recent Iraq wars. In more recent times, Energy security has included nuclear power and its non-proliferation agenda. However, the evolution of energy security has become more concerned with the changing nature of the energy industry due to changes in demand for resources. The nature of energy transition occurs against the forces globalization and interdependence of energy systems that have been discussed in earlier sections. Like other industry sectors, the energy sector is considered to operate outside national borders thereby decreasing the capacity of individual states to regulate, control or effectively acquire energy assets, (Cherp, Jewell and Goldthau 2011:75).

II. Key components of an energy security strategy

The existing energy security system was created following the 1973 Arab oil embargo and was based on preventing the future use of the 'oil weapon' by exporters towards the industrialised states, (Yergin 2006:73). The key principles of an energy security system:

- (i) *Diversification of supply*- by increasing supply sources, states can reduce the impact of a distraction of one supply.
- (ii) *Resilience of supply*- states need to create a security margin in its energy supply system that can provide a buffer against disruptions
- (iii) *Recognising the reality of integration*- An understanding that we have a global integrated oil market and states economy depends on the stability and security of this market
- (iv) *The importance of information*- the importance of governments and other actors in the energy system collaborating to dispense quality transparent information

² BBC planet oil. <http://www.bbc.co.uk/programmes/p02gzf5l>

As an example, the UK government's energy security strategy looks at the challenges faced by the government, and analysis of the energy security outlook in both the short and long-term and policy measures to maintain energy security while the energy system is decarbonised (Department of Energy and Climate Change, 2012:5). The concept of energy security is considered to be embedded within relationships between states and how they interact with each other (Yergin 2006:69)

III. Ensuring availability of energy resources

The first perspective that has been considered here is that of securing a sustainable supply of energy. Given that energy resources are dispersed in diverging geographic locations, the energy security policy of a state is geared towards procurement from various sources. In the past, control of available resources through conflict, was the norm according to Florini and Sovacool (2009a:8), who has traced this perspective from the American revolutionary War through the first and the second world wars down to the more recent Persian Gulf wars.

In the liberal political environment of today, although availability of energy resources still drives energy security, the economic value of these resources and the affordability also plays an important part. Energy assets must not only be affordable but prices should be stable in order to feed emerging economies like India and China who are dependent on imported energy sources. (Florini and Sovacool 2009a:10).

IV. The concept of security of supply (SOS)

Some states have built their energy security policy on a concept of the security of energy supply. (Kruyt *et al.* 2009:2166). The growing interdependence of our world and the ability of terrorist organisations to disrupt it is one of the crucial aspects of an energy security policy (Yergin 2006:69) and thus needs to be incorporated in this study. Crucial to this study, is the fact that there are many chokepoints along the transportation routes of seaborne crude oil that will impact on India's resource seeking strategy (Yergin 2006:75)

Some of these chokepoints are:

- (i) Straits of Hormuz which lies at the entrance of the Persian Gulf
- (ii) The Suez Canal which connects the red Sea and the Mediterranean
- (iii) The Bab el Mandeb Strait which provides entrance of the red Sea
- (iv) The Bosphorus Strait which is a major export channel for Russian and Caspian oil
- (v) The Strait of Malacca through which 80% of Japan's South Korean oil along with 50% of China's oil pass through

The vulnerability of accessing energy from states where security systems are still being developed is also key to understanding the security dilemma of energy seeking by states. The challenge of the security concept will become more important in the years ahead as world markets are more integrated (Yergin 2006:75). Although a state will have to rely on a mixture of military strategies as well as information sharing to ensure the security of oil resources, markets by themselves can be a source of security too (Yergin 2006:75).

The concept of security of energy supplies is important to a state even though a state may be geographically isolated from conflict zones. Intrastate conflicts have the ability to cause serious economic damage to a state, (Toft 2011:7273) and even the possible risk of a conflict can make the energy market unstable, leading to increased procurement costs for oil importing states

From the preceding paragraphs, the researcher would like deduce that the state is expected to formulate policy that can improve the security of supply as it searches for energy resources. The constraints of such a policy would be in balancing state priorities due to a growing need to access secure supplies of energy resources as well as to retain its position within the global governance structure. One such framework that has looked at the security of supply is that of Kruyt *et al.* (2009:1167) which has classified the concept of energy security of supply (SOS) into the following categories:

- (i) Availability - or elements relating to *geological* existence of energy resources
- (ii) Accessibility- or *geopolitical* elements of energy resource seeking
- (iii) Affordability - or *economical* elements of energy resource seeking
- (iv) Acceptability - or environmental and *societal* elements of energy resource seeking

The initial scenarios used in the framework were:

- (i) A1-high level of globalisation and focus on economic efficiency
- (ii) A2- low level of globalisation and focus on economic efficiency
- (iii) B1-high level of globalisation and focuses on equity
- (iv) B2-low level of globalisation and focuses on equity

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Figure 5 : The energy security spectrum (Kruyt *et al.* 2009:1167)

The framework as shown in figure above assumes that states have a clear tension between environmental targets and accessing low-cost energy resources. Although initially created to define scenarios of the greenhouse emission agenda, this framework has been adapted to map the security of energy resources too.

The energy market has been defined in preceding sections suffering from causal ambiguity and lacking governance. Therefore in light of the energy security debate, institutions need to deploy elements of governance to support firms in the industry. Following from the notion that the state that is seeking resources has to interact between multitudes of constructs some of which may be in the nature of the industry and yet others in the wider governance debate. Therefore, the role of institutions in the resource governance debate is next. This is done in terms of role of the state and its institutions in assuring both the supply of energy resources as well as ensuring the security of the supply.

2.4.6.3. Institution- based approach in the energy industry

In the preceding paragraphs, the energy market has been shown to be a globalised and interdependent system, in which states, its actors and institutions are interrelated. Because of the importance of energy supplies to national security, a state's economy and consequent projection of its power, states do not allow energy markets to perform independent of its control. States intervene in this markets ironically to promote 'energy independence' or to

ensure its energy supply, (Florini and Sovacool 2009a:5239). The energy market is considered to be one of '*complex social and historical developments*', (Coriat and Weinstein 2005:1) in which the state is integral to the creation of this market and the functioning of the market, (Chester 2010:892). The intervention of the state in the energy market then leads on energy security becoming dependent on a variety of policies and national interests of the state.

Some of the contexts in which the state manages its seeking of an energy resource within the contexts of energy security have been defined by Florini and Sovacool (2009a: 6) as:

- (i) Energy security has been based on the three pillars of energy efficiency, diversification of supply and minimisation of price volatility
- (ii) Energy security of a state is dependent on the relationship between producer states and consumer states
- (iii) The exact political or economic strategy of how a state defines energy security is by itself an ambiguous strategy.

Each state has its complex mechanism of deploying a mixture of actions to secure its energy assets. For example, the key features of China's approach to its energy security lies through a mix of strategies, (Florini and Sovacool 2009a: 7. These include:

- I. Buying stakes in foreign oil fields,
- II. The deployment of its armed forces to protect vulnerable shipping lane.
- III. The use of energy diplomacy and an all-out '*scramble for resources*' especially in Africa).

On the other hand, Japan, another energy consuming economy, looks at diversification of energy sources, the use of trade and investment in offsetting the scarcity of energy resources within the island and selected political and diplomatic engagement with its neighbourhood (Florini and Sovacool 2009a: 7).

In contrast to the demand side, other producer states also have ambiguous energy security policy. The inclusion of some examples can illustrate this. Venezuela and Colombia, particularly in light of the political instability has concentrated on the protection of their energy infrastructure as a key energy security policy (Florini and Sovacool 2009a: 7). Saudi Arabia uses a strategy of creating a 'security of demand' for their energy exports as the cornerstone of its own energy security policy. Demand for energy assets from emerging

economies, is also used by Australia in seeking markets for uranium, natural gas and coal exports (Florini and Sovacool 2009a: 7).

However, within the Russian energy strategy debate, state control over strategic resources and control over the main pipelines and market channels through which these resources reach international markets is the primary goal of its policy, (Yergin 2006:70). This serves to reinforce one of the key themes in the institutional-based view- that of an institutional strategic intent. Having defined that the energy seeking process by states is ambiguous, the study will now address some evidence from literature to show that there is a strategic intent despite the understanding that there is ambiguity with the industry.

The state's interest or 'strategic intent' can range from the role of the military in securing sea-lanes of transport for energy resources, environmental aspects of managing the impact of energy resources or even to the extent of addressing the human right issues within some resource rich states (Florini and Sovacool 2009a:5239). Therefore, the institutional approach towards energy security becomes more dominant over the market-based approach, due to the interest of the state in the industry. Chester (2010:892) holds an alternative market paradigm that indicates that acquisition of energy resources will take place only with the dynamics of both formal and informal institutions within the market. However, Chang (2007:7) cited in Chester (2010:892) defined institution and its intent in relation to the structure of the rights and obligations of all actors. This, then includes all institutional arrangements that determine entry of participants into the energy market and the process of how the exchange resources.

In this section, we look at the evolution of the strategic intent from the following:

- I. The ambiguity within the energy market
- II. The strategic intent from the need for a state to diversify energy supply.
- III. The need for governance with the energy markets
- IV. The increase in resource seeking by developmental states.
- V. The temporal dimensions of the energy industry

In spite of our understanding what energy security means, an individual state's energy security policy appears to be ambiguous. The ambiguity surrounding the resource seeking approach of a state is crucial in our understanding of a state seeks to deploy its energy security strategy and is addressed next.

I. Institutions and governance within the energy security debate

This study has already provided evidence of the institutional approach towards energy seeking as that of states intervening in markets, regulating the ability of energy markets to be independent as well as satisfying energy security objectives of the state. Following from this, we need to look at the governance debate with energy security.

It has been argued that contemporary scholarly literature on global energy issues do not discuss them within the context of global governance (Cherp, Jewell and Goldthau 2011:75). The literature is presumed to focus on security and energy geopolitics instead of global governance, (Cherp, Jewell and Goldthau 2011:76). However, from previous paragraphs, the study has already defied the importance of the energy market as transcending the borders of the state and hence the importance of understanding what are the key global governance issues. Governments are considered to be only one of the means through which governance can be achieved and needs to include both formal governmental structures and other non-formal institutions (Florini and Sovacool 2009b:5240).

To start with, the governance concept needs to be grounded in the several existing debates.

II. Governing energy resources as a 'Public Good'

The first is on the concept of energy being a 'public good' and that its governance should be treated as being a global public good, (Karlsson-Vinkhuyzen, Jollands and Staudt 2012:12). The definition of the pure public good according to Karlsson-Vinkhuyzen, Jollands and Staudt (2012:12) is that of a '*good or service where there can be no exclusion of also refused to pay for the good or service (non-exclusive) to enjoy the benefits and no rivalry among the beneficiaries of the good service (non-rivalry)*'. This definition of public goods has been extended by Florini and Sovacool (2009b: 5240) as 'products and services that are not excludable and non-rival in consumption'. If this is the nature of public goods, then according to Florini and Sovacool (2009b: 5240), it creates the problem of free riders that can also access public goods and the issue of free riders needs to be addressed within governance. In other words, there should be a system that will define what rules need to be enforced to manage the provision of public goods. Governance as defined by Florini and Sovacool (2009b: 5240) is achieved through the following:

- (i) An agreement on who makes rules and who the rules are enforced against
- (ii) A system that decide what goods or services is needed
- (iii) A consensus regarding these rules and who pays the cost of producing goods required by system

- (iv) A system of monitoring and enforcing payment for public goods

From the above, the limitations of governance of energy as a public good has been defined as follows by Florini and Sovacool (2009b: 5240-5241) as:

- (i) Many states have limited capacity to provide basic public goods, make rules and the ability enforce this rules.
- (ii) Globalization has increased the demands on both national governments making it difficult for them to govern and citizens have greater expectations of what governments will provide
- (iii) Some of the key issues in governance require decision-making across national bodies but the territorial concept of the state makes it difficult for a cross-border rule setting.

III. Role of Institutions in resource governance

The second debate is around the role of institutions in governing the energy market. Governments and the formal institutions of the state are only one part of the governance debate (Florini and Sovacool 2009b: 5241). Other actors including private sector actors have the authority to make rules too in addition to having a relationship with the rule making government actors (Florini and Sovacool 2009b: 5241).

Some key actors in the global resource governance structure are:

Inter-governmental organizations(IGO)

Inter-governmental organizations are considered to be the most easily recognised institutional form of global governance (Florini and Sovacool 2009b:5242) although they are also considered as appendages of the few national governments (Florini and Sovacool 2009b:5242). Some examples of IGOs are listed below:

1. **International Energy Agency (IEA)** -Currently the largest of the IGOs is the International energy agency (IEA), according to Miller (2011:1569). The IEA is considered to be an inter-governmental organization or IGO that has helped member states to lower the transaction cost of seeking energy resources, (Florini and Sovacool 2009b:5242). In addition it has also helped in coordinating responses among importing states to potential disruptions in the global oil market (Florini and Sovacool 2009b:5242).

2. **The group of eight (G8)**- The next international governmental agency as the group of eight consisting of France, Germany, Italy, Japan, the UK, the US, Canada and Russia. Although the G8 is not a formal organisation, it is still key to the process of diplomacy among its members and many energy issues have been debated in its annual summits, (Florini and Sovacool 2009b: 5243). Some of the key governance contributions of the group of Eight (Florini and Sovacool 2009b: 5243) has been the following:
- The Kyoto protocol negotiations on climate change in 1997
 - Focusing on the climate change agenda by the UK in 2005
 - Energy security is a key priority in the 2006 Russian summit
 - The energy efficiency initiative at the 2007 summit
3. **The Asian development bank (ADB)** -The Asian development bank is important in global governance due to the fact that it provides economic and technical assistance to emerging market economies to facilitate the public good creation (Florini and Sovacool 2009b: 5244). It was after the 1979 oil shock that the ADB shifted focus on energy. Current focus areas include good governance, social development, electricity and energy, the extractive industries and natural resources. Some of its key achievements according to Florini and Sovacool (2009b: 5245) have been:
- Improving access to energy services for the disenfranchised segment of the population
 - Increasing access to electricity and natural gas for the poor and marginalised
 - The use of energy projects to improve infrastructure, healthcare, education, telecommunication and other quality-of-life measures

Having examined inter-governmental organisations in the preceding paragraph, the role of non-governmental organisations or NGOs is examined next.

International Non- governmental organizations (INGO)

A key feature of globalisation and has been the rise of international non-governmental organization and their role in international development work particularly in terms of sustainable development and poverty reduction, (Madon 1999:251). Some key reasons why the non-governmental organisations have become prominent according to Madon (1999:252) are:

- The perceived poor performance of public sector developing countries
- The rise of neo-liberalism and globalization and its effect on the desire for marginalised groups to create an identity of their own

Although, moving from its origin on making political statements on behalf of interest groups to facilitating changes through advocacy, the interest of this study is on the institutional link that NGOs have governments. International NGOs are particularly useful as they can offer a linkage to local culture and local places with critical engagement to global issues, (Madon 1999:252). The other interest of this study is the impact of NGOs on developmental agendas. NGOs are able to lobby government and business groups to focus on less important developmental agendas.

An example of an international NGO is renewable energy and energy efficiency partnership, (REEEP) discussed below:

1. The renewable energy and energy efficiency partnership (REEEP)

This was formed as a collection of regulators, businesses, banks and non-governmental organisations in the United Kingdom (Florini and Sovacool 2009b: 5245). Funded primarily by voluntary contributions, REEEP focuses on three core areas:

- Reducing greenhouse emissions
- Improving access to reliable and clean forms of energy in developing countries
- Promoting energy efficiency

It is also interesting that the REEEP has forty four government partners and six intergovernmental partners, (Florini and Sovacool 2009b: 5245).

2.4.6.4. Institutions and diversification of energy supply as an strategic approach

In keeping with this market-based approach that was discussed in the preceding section, the state is also responsible for formulating a policy of diversifying the acquisition of energy resources. Yergin (2006:70) had indicated that the key to a state's energy security has been in diversification of its energy supply. This may be achieved by using a combination of approaches. However in today's highly globalised world, Yergin (2006:70) argues that state energy security policy needs to factor in the evolution of the global energy trade, its supply chain challenges, risk of disruption as well as the integration of new emerging economies like India into the world market. The diversification of energy sources as well as the type of energy mix is key to the energy security of a state, (Yergin 2006:76) and often drives the strategic intent of the state.

According to Florini and Sovacool (2009b:8), diversification of energy supply occurs in the state level at three dimensions:

- (i) **Source diversification:** this involves utilising a mixture of energy resources and not becoming dependent on a specific energy resource
- (ii) **Supplier diversification:** institutions develop multiple points of both energy acquisition and production so that can exert control over the market.
- (iii) **Spatial diversification:** creating and dispersing the energy infrastructure within a state so that they can be immune from disruptions or failures

Source diversification is dependent on a state's intent to use a specific mix of energy resources to feed its economy. In many instances, the state creates specific policy measures like reducing the demand for a particular energy resources, creating opportunities for a new form of energy resource, diversifying its existing mix of energy resources along with where it obtains this energy resources from, (Chester 2010:891).

- I. The first is that the state use a pure economic approach to seek energy resources and defines the state's intent within a market that allocates products and services purely as a response to changes in demand or supply.
- II. The other aspect is that the energy security debate is based on the interactions between the social, political and historical constructs of the global energy system (Chang 2002; Coriat and Weinstein 2005). The ambiguous nature of both aspects clearly points to a definite relationship between the state and energy, (Chester 2010:891) as well as grounds for further research on the understanding the intent of a state in its resource based approach.

Hoskisson *et al.* (2000) had emphasised two main drivers of the institutional view. The first is that, in transition or emerging economies, macro-economic and political instability may cause formal rules to change overnight. Firms need to consider this aspect, when seeking assets or resources and thus may need to follow an institutional framework or approach. The second driver is that many emerging economies lack institutional infrastructures that can support a purely market-based resources seeking strategy and often need to depend on the institutional approach.

As indicated in Chapter 1, the bulk of the resource seeking strategies are now been deployed by developmental states like India and it is pertinent for the study to look at the literature on the developmental state and the impact on institutional approach. The transition of many of the emerging economies including India from agrarian economies to industrial economies (Clapp and Helleiner 2012) and their subsequent economic growth also support the inclusion of this literature.

2.4.6.5. Development states and Institution driven resource seeking

According to de Medeiros (2013:43), developmental states share three basic aspects:

1. One is that strategies of its development are guided by a set of government policies and specific institutions that carry out state policies.
2. The second is that the state assumes a 'methodological nationalism' in which its growth can be explained by its unique domestic factors
3. The third aspect is that the state is the dominant factor and is completely responsible for the success or failure of a national growth strategy.

The major challenge of explaining a developmental state according to de Medeiros (2013:44) lies first in its origin. In other words, the developmental state arises from historical and economic circumstances. The development state agenda is important for this study to address the institutionally driven strategic intent component from the Institution-based view and it impacts on a resource-based approach of the state. The second aspect is the role of the developmental state, as a central institution that creates other institutions, power structures and a particular market position from which it manages its resource acquisition strategy.

I. The formation of the developmental state

If one were to consider that the origins of the developmental state is from its main economic agenda of rebuilding and industrial infrastructure in the years following the Second World War, (de Medeiros 2013:44), then it can be viewed as a state that followed an accumulation strategy. The state was devoted to accumulating resources and fearing the formation of large industrial firms and protecting its domestic markets. Although (de Medeiros 2013:44) argues that each state would have had its own developmental strategy, resource accumulation by the state possessed a common strand. National strategies were dependent on the size of the economy, the existing resource and capability mix, income distribution, the

political power of the state, its geopolitical importance (de Medeiros 2013:44) and how successfully a state could combine and deploy its resource- capability bundle to external actors and other states.

According to Wong (2011:17), the post-war political economy in Asia, was one in which the state strategically intervened in the economy for the purpose of mitigating the risk of industrial upgrading of its growing economy'. He takes this argument further by stating that although the developmental state could not guarantee industrial success, it demonstrated the capacity to move and upgrade specific sectors of the economy by compelling firms and industry to move into these sectors (Wong 2011:17)

The developmental state in Asia was responsible for the comparative advantage in specific industrial sectors that were dominated by firms from more advanced states. Some of the key features of the developmental state in Asia according to Wong (2011:17) are:

- (i) Being motivated by transformative goals
- (ii) Driven by authoritarianism, nationalism and the support of private sector 'national champions'
- (iii) The bureaucracy was a centre of the developmental state model and depended on the authority and patronage of the ruling political elite
- (iv) Power and authority were centralised and concentrated in the developmental state
- (v) State and industry cooperated in the implementation of industrial policy using formal and informal institutional links.

Moving from governance issues, the discussion around energy security has to be brought to the temporal dimension of how the institutions, government structures and markets deploy their specific energy security strategy. This is addressed within the concept of the causal ambiguity of the energy industry and the state's role.

II. The causal ambiguity of a state's energy security strategy

In the discussion on the resource-based view (RBV), the concept of causal ambiguity was already discussed linked to competitive advantage of the firm and inimitability of a firm's position. Causal ambiguity is now addressed with the specific industry context of the energy industry.

Causal ambiguity comes from the notion that energy security differs in its contextual application and what is being defined as the energy security policy of the state (Florini and Sovacool 2009a). The nature of a state's energy strategy is not always clear. This can differ from a personal perception of the governing elite, the institutional perspectives, the national style and geography and more importantly at the temporal level in respect to the *time* at which this observation is made, (Florini and Sovacool 2009a: 6).

Causal ambiguity can also explain some non-market approaches being used in the energy industry; Victor and Yueh (2010:61) have stated that China's strategy has been to rely special government-to-government deals instead of relying on the commercial approach. As an example, the use China's push into Africa, Central Asia and other energy-rich regions, as a rejection of the traditional market-based approach. Apart from locking up the supplies of oil assets, this non-commercial approach makes it harder for commodity markets to function smoothly. It also been argued that the actions of the few states like China impact on global governance issues, specifically in respect to human rights, ensuring the rule of law and promoting democracy in energy rich regions, (Victor and Yueh 2010:61)

III. The temporal dimension of energy security

Energy markets have to contend with the temporal dimensions given that they face constant threats of destruction of both supply and the infrastructure from a rapidly globalizing world. Risk of threats to the physical supply of energy can be short term, medium term and long term depending on where supply originates from and the nature of the transport mechanism getting these energy resources to the place of demand. Long-term risks that institutions need to factor in include determining the best supplier capable of meeting its energy demand, the adequacy of its infrastructure (both domestic as well as overseas) as well as the risk behind its long-term goals of energy transition (Egenhofer and Gialoglu 2004). When analysed in the context of the availability of primary energy sources, its growing depletion and the rise of technology that may cause shifts in the usage of energy resources over time, the meaning attributed to energy security will change over time as the risk of threats to supply of energy resources also change across time (Chester 2010:891). The dimension of time has been argued to add another layer of complexity within the energy security debate (Chester 2010:893) since risks and threats differ over time. In addition the heterogeneity between energy markets will impact on how an energy security strategy can be deployed across different markets and different stakeholders (Chester, 2010:893).

The study now moves to the final part of the discussion on the Institution based view- the role of institutions on strategic choices.

2.4.6.6. The Institution determines strategic choices of firms

The institution-based view treats institutions as independent variables that support strategic choices (both acceptable and supportable choices) that are made by organisations to reduce uncertainty in a new market. These choices were made up of both formal and informal constraints by the institutions and also embedded in culture ideology and sanctioned norms of behaviour (Peng 2002:252). However given that most of the early literature on institutions looked at Western firms embedded within a transparent institutional constraint, the specific relationship between strategic choices and institutional frameworks are not always clear (Peng 2002:252). The section on the resource-based theory has already demonstrated that the basic premise of the RBV was within a static concept of firm level strategy and the integration of the role of institutions within the institution-based view contributed to a inclusion of the dynamic nature of the firm (Peng 2002:252). At the firm level, the implications of the institution on strategic choices has already been researched (Meyer & Peng 2005, Peng 2003, 2005, 2006, Peng, Lee, & Wang 2005, Wright, *et al.* 2005). The dependence of firms in emerging as well as transition economies to depend on informal network-based strategies rather than a formal market based strategy has been attributed to the evolving political structure of these economies (Peng *et al.* 2009:69). The IBV therefore resumes that once more stable governance structures appeared these economies; the dependence on network based informal strategies will recede and be substituted by a market-based strategy.

2.4.6.7. The role of Institutional capital and its effect on firm level resources

Moving on to the linkage between resources and institutions and given the fact that the preceding section on the resource-based view has indicated resources being situated in an institutional context, it becomes imperative to understand how firms manage their institutional capital. Oliver (1997) has suggested that firms are able to create and develop institutional capital to enhance the use of resources. Therefore firms can manage the social context of the resources and capabilities in order to generate rent. Hoskisson *et al.* (2000) also indicates that institutional capital changes over time and according to the demands of the institutional environment. If the concept of institutional capital can be defined as a capability of institutions that firms leveraging new markets, then it becomes important to understand how the accumulation of institutional capabilities are used by firms to extend their intrinsic resources. This is discussed in the next paragraph.

I. Rational choices

The first of the proposition of the institution-based view (IBV) assumes that the fundamental rule of institution is to reduce uncertainty and provide meaning or a structure to choices (Peng *et al.* 2009:66, Scott 2008b, Peng 2006, Lee, Peng & Barney 2007).

Institutions therefore:

- (i) Manage the norms of behaviours for actors including firms and defines the boundaries of what is legitimate behaviour.
- (ii) Creates an institutional framework that allows actors to rationally pursue interests and make strategic choices within institutional norms and legitimacy.

Institutional forces affect the behaviour of firms in a new market and also impacts on the decision-making. As early as 1990, institutions were regarded to provide rules both (formal and informal) that govern interactions in a society (North 1990). Institutions were also argued to help create stable structures that facilitate business level interactions and reduce uncertainty, (Hoskisson *et al.* 2000) and impact on choices. Specifically, strategic choices are not only driven by industry conditions and firm capabilities, but are also a reflection of the formal and informal constraints of a particular institutional framework that managers and entrepreneurs confront (Peng 2006). This institution-based view has recently become a dominant perspective underpinning strategy research on emerging economies (Hoskisson *et al.*, 2000, Peng 2007, Wright *et al.* 2005a) and supports the strong role of the state.

A key element in the industrial transformation of states is the process of accumulation of knowledge and capabilities both at the levels of individuals and firms, (Cimoli, Dosi and Stiglitz 2009). Given their integration within the international system, states make strategic choices, determining the future pathways towards accumulation of specific capabilities in relation to a broader national policy framework. In other words institutions also make strategic choices in determining the entry into specific industrial pathways. (Cimoli, Dosi and Stiglitz, 2009) and also determine the choice of key firms that are used to promote an institutional choice. Institutions also mobilise specific resources that are transferred to specific firms. Wang *et al.* (2012) have identified that one of the catch up strategies of emerging market enterprises (EME) is to accumulate resources to levels of firms in developed economies. Cimoli, Dosi and Stiglitz (2009) argue against market based policies in determining the creation of successful firms and their entry into institutionally determined markets. Instead, Cimoli, Dosi and Stiglitz (2009), quoting the work of Freeman (2008) suggest that there is a clear linkage between institutional capability, its accumulation and its

deployment on firm level resources. Freeman (2008:5) lists five subdomains that enable the linkage:

- a) The generation of new knowledge,
- b) The development improvement of new methods of production or innovation
- c) The *economic machine* and the information flow of incentives among economic agents within the economic machine.
- d) The political and legal structure of the state or institution
- e) The cultural domain that shapes values norms and customs of the institution.

Having defined the main propositions of the Institutions-based view (IBV) above, the study will now demonstrate the contribution of the IBV to the theoretical approach

2.4.7. Contribution of the institution based view (IBV) to the theoretical approach of the study

Having described the key assumptions of the resource based view theory of the firm(RBV) in the earlier section , this study had selected three aspects of the RBV for inclusion in the theoretical approach. To recap, these are:

- (i) The role of intangible resources in resource seeking
- (ii) The deployment of resource bundles in specific contexts
- (iii) The causal ambiguity of the resource based view

The study having previously indicated that the institution-based view (IBV) had integrated aspects of RBV and the industry conditions, selected the following aspects of the IBV for inclusion into the theoretical approach:

- (i) The institutional context including norms, values, formal and informal constraints for resource seeking
- (ii) The institutional framework of a state's resource-based approach that allows actors to rationally pursue interests and make strategic choices within institutional norms and legitimacy
- (iii) Institutionally determined strategic choices and the combination of both informal and formal constraints that determine these choices.

- (iv) Institutionally determined strategic choices from the Industry-based view of the energy industry.

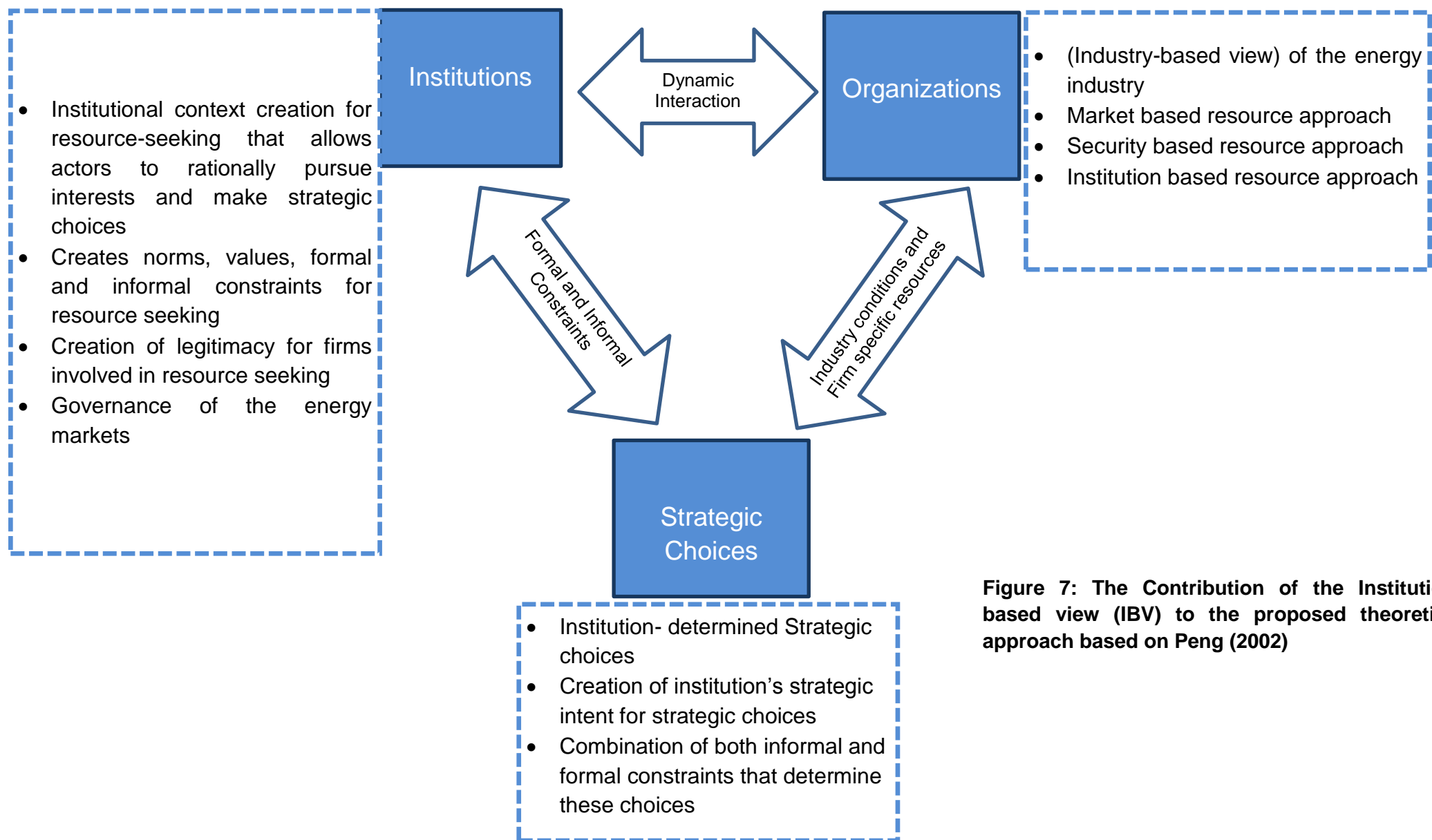


Figure 7: The Contribution of the Institution-based view (IBV) to the proposed theoretical approach based on Peng (2002)

2.5. Section Three – The role of the state

Having defined in the preceding sections the role of the firm in resource seeking, the ability of institutions to create an institutional context as well as impact on the nature of choices for these firms, this study will now explore role of the 'state' in resource acquisition.

Chapter 1 had located the role of the state within the institutional context and the deployment of specific resources. The institutional support mechanisms have also been addressed in section 2 of this chapter. Therefore this section is limited to understanding:

- (i) The concept of statehood and how the state provides legitimacy to markets
- (ii) Deployment of political resources by the state

From these aspects of the state, the discussion will focus on defining:

- (i) The nature of the state and the different stakeholders of the state
- (ii) The role of globalization on the contemporary state's role in the resource-based view approach.
- (iii) The specific role of the state in the development of an institutional strategic intent towards resource seeking.

The section starts with defining what a 'state' is and the concept of statehood.

2.5.1. The nature of the 'state'

A review of literature indicates that definitions of a 'state' tend to characterise the state in terms of a specific dimension. It could be in terms of the political economic studies, or the nature of the type of states; either as failed states or developmental states (Fritz and Menocal 2007) or state's ability to project both 'hard' and 'soft' elements of power.

Weber (1966) as cited in Fritz and Menocal (2007) defines the state as a *'human community that claims the monopoly of the legitimate use of physical force within a given territory'* while Tilly (1975) as cited in Fritz and Menocal (2007) calls it *'an organisation which controls the population occupying a defined territory'* and that it

- I. *It is differentiated from other organisations operating in the same territory*
- II. *It is autonomous*
- III. *It is centralised and*
- IV. *Its divisions are formally co-ordinated with another"*

Thus a state is also a legal personality with a specific location, population, government capable of maintaining control and a defined structure (Wilkinson 2007). Thus, 'statehood' is an important theory that provides sovereignty to states and protects some of its decisions from the global community, (Sterio 2011:210) although in reality some states struggle to maintain control and have challenges to their sovereignty.

2.5.1.1. Statehood

The concept of statehood can be seen as the 'bundles' of sovereign rights that a state possess, which is often at conflict with other regional and global rule, (Sterio 2011:209) and also comprises the ability of a state to build effective institutions to carry out its policies. Wesley (2008:377) considers that a strong state has the ability

1. To enact statutes and to frame and execute policies;
2. To administer public business with relative efficiency;
3. To control graft, corruption and bribery,
4. To maintain high levels of transparency and accountability in institutions and
5. To enforce laws.

However, in an era of globalisation, states have to consult with other multilateral bodies, for trade and security related issues, and can no longer impose, their sovereign will without the risk of interference by other states. This change in the existing world order where forces of globalization supersedes state sovereignty has produced a new set of rules regarding the legal theory of the 'statehood' according to Sterio (2011:209). Statehood is no longer satisfied using the four traditional criteria of territory, government, population and the ability

to engage in international relations (Sterio 2011:210) and suggest that the following additional criteria are to be included too:

- (1) Their need for recognition by both regional partners and the most powerful states
- (2) The respect for human and minority rights
- (3) A commitment to participate in international organizations and
- (4) The need to abide by a set world order
- (5) The need for recognition by great or super powers of potential statehood by any entity.

According to Sterio (2011:209) 'statehood' is legal theory based on the original four criteria mentioned in the 1933 Montevideo convention and is different from the political act of recognizing a 'state'.

However, Hass (2003) defines a state on the following additional criteria:

- (1) A sovereign state enjoys supreme political authority and the ability to use force within its territory.
- (2) It is capable of regulating movement across its borders
- (3) It can make foreign policy decisions independently and
- (4) It just recognized by other governments as an independent entity with freedom from external intervention.

The acceptance or recognition of a state by other states is key to its position in the international system. Thus once a state is created, it is left to other states to recognize it and engage with it in international relations. The theory of statehood is ambiguous in many cases. Borders have been disputed as in the case of Israel, Palestine, and between South and North Korea, yet these states have not lost their 'statehood'. Other challenges have been a lack of a central government as in the case of the Somali state. Size of states is also another factor, with many microstates having to depend on other states to engage in international relations. For example, Monaco depends on France for its foreign policy.

Yet another contentious component of statehood is acceptance by other states. Recognition or non-recognition by other states has also led to the phenomena of the *de-facto states*, which although satisfy requirements of statehood, have been prevented by political and strategic reasons from having full statehood as in the case of Taiwan which has enjoyed an ambiguous status from 1949 (Sterio 2011:226). During the beginning of the cold war, many states supported Taiwan but with China been given the U.N. membership, the statehood of Taiwan still remains in limbo. Given that China has never attempted to intervene militarily in Taiwan yet, it remains a *de-facto* state with its own territory, a

permanent population, a government and international relations. Another *de-facto* state is the northern part of Cyprus, which suffers from a lack of acceptance.

Having defined what statehood is, the next step is the basic structure of a state.

2.5.2. Structures of the state

Having defined what a state is, what it is capable of and what it is expected to do in its search to be recognised as a state, the next paragraph looks at the various building blocks of the state. State building needs the creation of specific capabilities and Fritz and Menocal (2007:24) address this by defining the various layers of a state (see figure 4) as possessing the following aspects:

(i) Political settlement

The first layer of the internal core is called the political settlement, the second layer is considered to be the relationship between the state and the society where it operates in and the third layer that is more pertinent to the resource-based approach is the outermost layer that consists of the contextual factors.

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Figure 6: Domains and Actors in the State from Fritz and Menocal (2007)

The innermost layer or the political settlement is the foundation of the capability of the state (Fritz and Menocal 2007) and has the following components:

- I. A functioning and legitimate government enshrined within rules
- II. The ability of the state to ensure security based on the rule of law
- III. The ability to administer its population.

The political settlement is surrounded by three other functions of the state; public administration, security and the rule of law (Fritz and Menocal 2007) and is key to the creation of institutions that can be linked to the earlier discussion on the Institution-based view. A state's administrative structures are at the core of the infrastructural power that a state possesses. This includes the security apparatus, civil service, the foreign service etc. Successful states combine the rule of law to establish a legal framework within which the state and societal actors can interact and ensure security for its population (Fritz and Menocal 2007). In the absence of this political settlement, a state uses and abuses its security layers to establish its 'monopoly of violence'. In a successful state, the security apparatus is important for providing legitimacy and acceptance of the formal rules of the game (Fritz and Menocal 2007) while preventing alternative state structures to compete with the state for power and authority. The political settlement while bringing together both the state and the society together in the context of a shared vision is crucial to managing the action of other actors within the state and feeds into the creation of the Institutional context.

(ii) The State realm

The second layer is considered to be the relationship between the state and the society where it operates in. This is the 'state' realm that includes the provision of key public goods or outputs like provision of justice, management of its economy and provision of public services like health and education as well as its 'social' realm. The interplay of the relationship between the social realm and the three layers of the state determine the quality of institutions and governance structures (Fritz and Menocal 2007)

(iii) Legacy of state

The third layer that is more pertinent to the discussion on the resource-based approach is the outermost layer that consists of the contextual factors. These factors include the legacy of the state, its political regime, its resource endowments, its location and geographical factors as well as its geopolitical and geostrategic actions (Fritz and Menocal 2007). The contextual importance of a state and its institutions has been highlighted on the discussion on the institutional-based view.

The wider society of the state includes various stakeholders and interests. The State works in tandem with key stakeholders both at the elite and the broader social level and within the realm of government (Fritz and Menocal 2007). One of the most important dimensions of the state is as political leadership and their ability to manage opportunities and constraints in dealing with other states. The other function is to create the concept of nationality and acceptability by other states. It is expected of the state to bring all actors within the society and the state into a political settlement. The political settlement according to Fritz and Menocal (2007) is essential to create and sustain the sense of nationality. In the absence of this political settlement, a state uses and abuses its security layers to establish its 'monopoly of violence'. It also implies that by being acceptable to all actors within a state, the state is freed to pursue a strategic goal (be it economic or otherwise). Successful states combine the rule of law to establish a legal framework within which the state and societal actors can interact and ensure security for its population (Fritz and Menocal 2007). In a successful state, the security apparatus is also important for providing legitimacy and acceptance of the formal rules of the game (Fritz and Menocal 2007) while preventing alternative state structures to compete with the state for power and authority. In this study, given its focus on the interaction between institutions and resource acquisition, the role of economic actors within a state needs to be addressed and this is done next.

2.5.3. The economic function of the state

In view of the second layer of the state as proposed by Schneider (2009), a key function of the state is to manage its economic or business activity as well as powerful social groups within its boundaries. This thesis examines this function within the context of strategic state driven industrial policy, the role of the state in its and the use of specific business groups in its industrial policy.

(i) Industrial policy of the strategic state

Almost all successful states have specific industrial policies. States like Japan and large extent other Asian states like South Korea, Taiwan, Singapore Malaysia and Thailand concentrated on an export led growth policy while the United States used a consumption led growth plan that absorbed the exports of the former, Prestowitz, (2006:148). These two state-led strategies has created what Clyde Prestowitz calls an unbalanced global economic structure which by shifting manufacturing out of the United States to locations in Asia has created a huge trade deficit, that contributed to the growth of the Chinese and Indian states, (Prestowitz, 2006:149). While China is seen as a manufacturing hub for both high and

low tech production, the Indian state has a bigger impact on services. The different trajectory of the Indian and Chinese state largely is due to the industry policies of each individual state. The Chinese state while adopting a gradual process of market transition is considered to be different to Western states that are embedded in free market environments, (Yeh, Yang and Wang ,2015:2823)

So how does the state and deploy specific industrial policy to support its economic growth? One aspect is the provision of a framework consisting of appropriate formal and informal rules by the state to support market competition which João (2012:1011) considers to be the dominant form of economic exchange. By providing stable rules that can be universally applied, the state provides an agenda that authorises policy initiatives which in turn creates an institutional framework that can underpin markets and the behaviour of actors in the market, João (2012:1011).

So far, the thesis has suggested that the state is a powerful actor that can shape its industrial and developmental path. A counterargument to this position comes from the collected works of Susan Strange who portrays the state is powerless to control economic events. Although she admits that states have considerable negative power to disrupt, manage and distort trade by controlling entry to national markets,(Stopford, Strange and Henley,1991:14), the state is powerless in controlling economic events outside of its borders. This perceived weakness of the state due to globalisation, creates new rules by which the state interacts with other states and firms. Globalisation, according to Strange (1997:366) creates three dilemmas for the state:

- (1) The economic dilemma of being seen as an authority that can manage or discipline the market economy while being reduced to bargaining with firms.
- (2) The environmental dilemma trying the power of the state in preserving its environment in contrast to the operational nature of corporations that create environmental destruction.
- (3) The political dilemma of shifting power of the state of the firm which undermined the accountability of the state to its people.

The growth of global competition in conjunction with the weakness of the state creates a position where markets are driven firms rather than any notion of the power of the state,(, (Stopford, Strange and Henley,1991:22). States are thus reduced to bargaining with firms to maintain their economic and industrial agenda whilst trying to balance their power. In many

cases, the state shares its authoritative power with firms through a process of bargaining over national and firm interests,(Strange,1997:368).

The complex process of bargaining between the state and the firm sustains a network of transnational, bilateral bargains, bargains between the government and corporations, bargains between governments to governments, which Strange (1985:234) considers to be a more powerful influence on the state's ability to manage markets. Therefore, global trade is considered by the Susan Strange School of literature to be subsidiary to other primary structures of the international political economy. The four key structures of the international political economy are the security structure; the production structure; the money and credit structure and the knowledge structure.

In the subsequent analysis of the Indian state in chapter 4, the ability to control these four key structures of the international political economy are seen to be the key reasons behind the rise of the Indian state particularly in the African context.

(ii) The state and the creation of markets

However, the state is said to behave differently in a 'market socialist' state and the 'capitalist' state system. Gabriele (2006:46) indicates that the role of the state is larger and more superior within the market socialist system, giving state owned firms the ability to exert an overall strategic control over the state's economic developmental path. This is particularly evident in China state led industrial development drive and has a relevance to the description of the Indian state up to 1991.

By creating and supporting market competition, the state is considered to take specific positions using its political agenda to allocate resources as well as direct economic activities that may create different supply- demand relationships, (Yeh, Yang and Wang, 2015:2824). But in the contemporary global economy, market forces have replaced this function of the state as an effective mechanism that can optimally allocate investment and resources- *'a process of the 'denationalisation' of the state as well as 'destatisation' of the political system'*,(Jessop,1990) as cited in Yeh, Yang and Wang, (2015:2824). Another perspective of the state's role in the international economy comes from Ryan (2011:712) considers that the state creates market positions based on finding the most efficient return for its economic resources which in turn remains rooted in historical perspectives of the state.

In the case of the state led development model of both India and China, Hellman (2013:653) has argued that their model of catch-up growth provides a political system with economic

resources that can be used to create and maintain patron-client networks. These networks include favoured business groups that enjoy preferential access to the state while others are excluded.

(iii) States and business groups

The review of literature within political economy revolves around the notion of states as business entities and the understanding that many nations states like the USA have begun as business operations, (Tölölyan 1991). A school of thought within the resource dependency theory implies that, the exchange of resource bundles by firms are constrained by powerful social actors within the state (Tölölyan 1991). Some of the powerful social groups can include state owned or private firms that serve as vehicles of national interest.

A growing amount of literature within the strategic management conversation has been on the importance of business groups, (Schneider 2009). However, there has been a lack of understanding of how business groups operate within the state building and state promotion agenda (Schneider 2009). Although we have known about both formal and informal groups connected to states, Schneider (2009) indicates that scholars are less interested in informal connections and concentrate instead on the nature of ownership within formal business groups.

In this thesis, it is important to understand how business groups develop by the action of the state, either favourably or unfavourably (Schneider 2009) and the part, they play in the economic component of the state. From the firm level viewpoint, business groups diversify into new market sectors to either leverage their expertise, or to reduce risk and manage volatility (Schneider 2009). However their actions are embedded in the broader political context of their domestic home environment and may form part of state capitalism. Although business groups may diversify based on their internal aspirations, they ultimately are constrained by the specific political boundaries established by government policies

The role of the government hinges on the level of intentional government support for specific business groups. According to Schneider (2009), intentional support can be:

- a) Promotional policies that help specific forms grow while discriminating others
- b) Favouring national firms or 'champions'
- c) Pushing specific firms to branch out into new activities and

- d) Regulating the entry and activities of multinationals or state owned enterprises

(iv) Policy induced business groups

Although, Schneider (2009) distinguishes the different types of business groups, this thesis has concentrated specifically on *policy induced business groups*. These business groups diversify in response to a government incentive, directives or policy shift. Policies can be direct support by using indirect or direct effects of tariffs and nontariff barriers within the domestic environment or the creation of political or crony capitalism as evident in states like the Philippines, Indonesia or Thailand. The policies of a developmental state are used to induce the entry into new sectors identified by other structures of the state. Samsung, the South Korean chaebol is a clear example of a policy-induced group that moved from the financial industry into electronic technologies based on the policy induced a shift of the military government in South Korea (Kang 1997:37-45) cited in Schneider (2009)

Having defined that business groups are an integral part of the state building mechanism, the next step is to look at why the 'state' uses business groups or is involved in business itself.

(v) States and the Use of Business Groups

A state may use domestic business groups due to geopolitical concerns and elements of nationalism, or as means to diversify risk based on their perception of financial crisis. Depending on what the motive is, business groups are presumed to be some of the most powerful interest groups and rent seekers within the state (Morck, Wolfenzon *et al* 2005) as cited in Schneider (2009). This study has already indicated that the nature of a state is changing. Business firms have been reported to move to engage in activities that traditionally have been ascribed to the state (Scherer and Palazzo 2011). These activities include the provision of public health, education, social security, protection of human rights when operating institutionally deficient countries as well as engage in self-regulation to fill the institutional void in some failed states, (Scherer and Palazzo, 2011). This is contrast to the traditional role of the business as indicated the theory of the firm (Jensen 2002, Sundaram and Inkpen 2004) as cited in Scherer and Palazzo (2011). The large size of the some business groups and their global reach is also an indication of the blurring of boundaries between the state and the business group. Matten and Crane (2005) cited in Scherer and Palazzo (2011) state some firms have begun to assume a state like role in several situations. Therefore, business firms while being constituent part of the state's economic agenda have also become important political actors within the global society by itself

(Boddewyn and Lundan 2010), Detomasi (2007), Matten (2005), Scherer and Palazzo (2007) and Scherer *et al.*(2006) as cited in Scherer and Palazzo (2011).

Given that neither nation states nor institutions alone can regulate the global economy, the importance of business firms as being part of the global governance system is key to understanding how firms integrate within the new structure of the state. Scherer and Palazzo (2011) suggest a new model of the state where business firms play an active role in the democratic regulation and control of market transactions. However, within this interplay of relationship between firms and the environment they operate, the government or the state as the more powerful actor can alter this power imbalance for specific state objectives (Xia *et al.* 2014).

Having defined what a state is, the study will now move on to the building of the state. This is particularly relevant in determining the institutional context to firms and how this feeds into the legitimacy of a state, within a resource based approach.

2.5.4. The building of the state

The discussion on the building of the state follows the work of Fritz and Menocal (2007) who presents a clear structure for state building within the political economy debate as well as the article on state building by Wesley (2008). Although most of the content in both works centre on the role of the state in developmental economics, it still serves as a signpost in helping to link to the institutional-based view discussed in the preceding paragraph.

The building of the state is linked to good governance structures and it has been argued that building a capable, effective and responsive state is a differentiating factor from the group of fragile states within the global system. State building has also been linked within good governance, the developmental and poverty elimination agendas (Fritz and Menocal 2007:9). On the other hand, (Wesley 2008:373) defines that state building focuses on the institutions of the state, particularly the bureaucracy and the process defining their interactions on the economy, society and politics. State building frameworks are expected to focus on security and the rule of law, institutions, operating democratic processes and the creation of free market led developmental activities (Wesley 2008)

Some of the key attributes that result from state building activities argued by Wesley (2008) are as follows:

- I. A belief that the state as a political form can be transferred across cultures and contexts
- II. A belief that crucial attributes of the state (coercion, capacity, legitimacy and capital) can be transferred into a new context by using external actors
- III. An understanding that a modern state emerges from the need to manipulate the sense of time of key stakeholders in contradictory ways.
- IV. Creating efficient institutions that are avoid any form of neo-colonialism

States often are seen embedding these activities to present its capacity to perform core functions, its legitimacy and accountability in providing an environment for strong economic performance and also it's good governance record (Wesley 2008). In spite of this, many state building operations are argued to be affected by turbulence in the political sphere (Wesley 2008:379) and cannot behave independent of the political context in which they operate. In other words, the concept of the state as an independent variable, separate from politics, economics and society does not always work (Wesley 2008) . Similarly, at the level of the firm, the state even in perfectly competitive market systems cannot be separate and is often used as a source of resources by firms. The ability of the state to provide transferable resources to firms is of interest in this study; especially in light of the advantages it confers to firms that are entering new markets .One of such resource is the provision of political resources that can be transferred into new markets. This is discussed next.

2.5.5. The state as a source of political resources

In the review of both the resource based view and the institutional-based view, this study has looked at how competitive advantage is vital for firms. The role of institutions in providing an institutional intent and focus for firms has also been discussed. Therefore it is pertinent that this study reviews how the state can provide firms with political resources. The pursuit of competitive advantage through the creation of political resources has been argued to be a means to insulate firms from competition (Lawton, McGuire and Rajwani 2013:1). The literature on political resources is mostly within corporate political activity (CPA). Corporate political activity has been defined as a '*creation and maintenance of a specific set of external stakeholder relationships and policy outcomes*' (Lawton, McGuire and Rajwani 2013:2).

2.5.5.1. Motives for firms to use state political resources

Firms involved in CPA have several motives for engaging in political behaviour and this is classified as:

- (i) Domain advantage- firms engage in political behaviour to pursue the firms private interest.
- (ii) Domain defence- firms use political behaviour to manage public policy even though this might be at odds with the firm's strategic goals.
- (iii) Domain maintenance -where firms use political behaviour to influence policy that might threaten how it achieves its goals.

So what are political resources? Political resources have been defined as follows:

- 1. Organizational resources for firms
- 2. Relational resources (that includes formal and informal relationship with political actors)
- 3. Public image resources (this includes perception of stakeholders)
- 4. Reputational resources

2.5.5.2. The value of political resources

The deployment of political resources is of relevance in markets where firms need the advantage of these resources to create its own competitive advantage. Lawton, McGuire and Rajwani (2013) integrated political resources and capabilities, institutions and the political environment in their CPA framework. In the beginning of this study, the differences in the deployment of resources and capabilities by firms from different national contexts were indicated. The reconfiguration of form level resources with political resources is assumed to be one of the reasons behind this difference (Lawton, McGuire and Rajwani 2013)

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Figure 7: The CPA framework (Lawton, McGuire and Rajwani 2013)

According to Dahan (2005:9) the political environment can have significant impact on firm strategy and ultimately its performance. The political environment provides political or

corporate political influence as a resource to firms. In creating his integrated model of the resource-based view of politics, Dahan(2005:12) had traced the origin of the political resource to Fainsod(1940) and treat it as a means of development for the firm.

Using this logic, political resources are used in a variety of combinations by firms to create advantage.

One combination of the use of political resources is to create legitimacy for firms and is of relevance of this study. The use of legitimacy from political resources has been documented by Dahan(2005:15) to create economic value for a firm when it is in line with an institution's policies and goals. By doing so, a firm engages in 'legitimacy competition' with other firms and creates a privileged access to decision-makers in the state.

The second is to create access to stakeholders within the state. Privileged access to decision-makers and consequently an understanding of strategic decisions taken by the state is an important part of how political resources are managed by firms, (Dahan(2005). This study has already discussed the concept of the developmental state. The regulation of key industries by the state has been considered to be a major source of sustainable competitive advantage to firms that follow the intent of the state. In an extension of the RBV to the regulatory environment, Maijor and Witteloostuijn (1996:566) indicate the potential of state regulation to create competitive advantage

Having discussed, the ability of political resources to offer legitimacy as well as advantages to a firm that entering new markets, it is pertinent to discuss the creation of legitimacy by the state. In the institution-based view, institutions are assumed to have substantial legitimacy, which creates their ability to confer the special advantages on firms that accepts their regulatory behaviour. Given that institutions may be compliments of the state, the legitimacy of the institutions therefore comes from the process of the building of the state and how this is embedded within the institutional context. This is addressed next.

2.5.6. States and creation of legitimacy within the resource-based approach

This study has already addressed legitimacy within both the RBV and as part of the institutional theory where it is defined as the process of gaining legitimacy for the actions of an organization from other institutional actors. It is therefore important it is addressed with the context of the state. The core of state society relations according to Fritz and Menocal,

(2007) is its ability to maintain and sustain a form of legitimacy without which a state cannot function. Legitimacy has different forms and different concepts. Some of the most common ways of establishing legitimacy by a state according to Fritz and Menocal, (2007) include

- I. Provision of public goods and services including social security
- II. Its economic performance
- III. A specific ideology on nationalism
- IV. Populism of its leadership
- V. Liberal democratic representation with respect for fundamental civil and political rights

The creation of legitimacy by states and its institutions is central to the foreign direct investment ownership decision and when facing an ethnocentric non-native institution in the host country, firms have been argued to give up ownership in exchange for institutional legitimacy (Cui and Jiang 2010:757). The provision of institutional legitimacy coupled with financial stability is assumed to be one of the reasons why Chinese firms are willing to choose high resource commitment entry modes in internationalizing.

Having defined, that the state needs to perform specific actions in its bid to create legitimacy, it becomes necessary to define elements that constitute legitimacy within a state. For that we start with identifying what is 'identity' as well as 'national interests'.

2.5.6.1. National identity and national interests

The nation- state is considered to be a product of specific historical circumstances and Scheuerman (2011) argues that the state is not well adapted to governance within the context of globalization and states pursue 'national interest'. The concept of realism in IR literature supports the notion of a shared national identity within the nation state. Language, religion, ethnicity, race, political history is all blended within social integrative functions performed by the state. The Indian state, for example, is a nation with several religious beliefs, different ethnicity and hundreds of languages. Yet the Indian state had survived after its independence on the creation of national identity based on its democratic norms. Scheuerman 2011) argues that the idea of a 'national character' is based on both subjective factors like ideology as well as objective factors like shared language. Realism within the nation-state can be linked to the work of Reinhold Niebuhr as quoted in Scheuerman,(2011), who lists the following attributes to identity:

1. A common language and sense of ethnic kinship

2. Geographical unity and continuity
3. A common historical experience and frame of political thought.
4. A common area of economic mutuality
5. Fear of a common foe.

National identity and nationality provides integrative and motivational capabilities for the state to be organized into a complete whole,(Scheuerman 2011). This resource capability bundle is of immense competitive advantage in the international arena, when nations can marshal their population into a common strategic goal. Creating a national identity as in the case of the Indian state in this study, modern nationalism can create social collectiveness on which national political institutions can be built. This is supported by Scheuerman, (2011), who states that the importance of national identity is that addition to sovereignty and political power; states require forces of social cohesion through which its institutions can effectively perform. The recognition of the national identity of a state by others as a resource of the state leads then to the importance of 'soft power' within a state.

2.5.6.2. Soft power attributes and state legitimacy

Along with national identity and national interests, a key factor in the creation of state legitimacy lies in its use of Soft' or 'co-optive power' resources .Soft power according to Nye, (2004:2) is the ability to '*shape the preferences of others to do what you want rather than coerce them or influence them to do what you want*'. A state's soft power according to Joseph Nye (who coined the term in his 1990 book) comes from three different sources:

- (1) The culture of the state *if it is attractive to other states*
- (2) the political values of the state *if it lives up to these values*
- (3) the foreign policy of the state *if seen as legitimate and having moral authority*
(Nye,2004:11).

Soft power is also distinctive from the state's military power or its economic power but also shares space with some forms of hard power through the state's position in the international system.

In the preceding sections, the effect of state governance in the context of globalisation and the pursuit of its national interest has been defined. Governance transitions and a perceived decline of the state, forces it to pursue the use of soft power capabilities or resources. The end of the Cold War and the changing dimensions of political realism which once accepted the view that state behaviour was dominated by the constant danger of military conflict adds to the importance of soft power. Keohane and Nye(1987:727) argue that the use of force by the state becomes increasingly costly in the global economy due to four main conditions;

- (1) Risks of nuclear escalation;
- (2) Resistance by people in poor or weak countries;
- (3) Uncertain and possibly negative effects on the achievement of economic goals; and
- (4) Domestic opinion opposed to the human costs of the use of force.

The thesis in section 2.5.3 has addressed the security structure of the state as being one of the key aspects of international political economy. In support of this, Keohane and Nye(1987:728) indicate that the state ultimately has to rely on its own resources and maintain specific positions relative to the global political system even if it involves a high economic cost. To balance its national interest with the security structure, states are forced by globalisation to become interdependent on the actions of other states and non-state actors. This interdependence in turn creates or imposes costs on the state which may then respond with the deployment of political resources or create a process of mutual bargaining and cooperation,(Keohane and Nye,1987:730) as they promote their individual national interest.

The framework of soft power analysis as reported by Keohane and Nye,(1987:743) therefore assumes that the state may conform to specific rules or norms within the international system in order to protect their individual reputation and promote self-interest. The exact mechanism of soft power deployment may be linked to the political elite's perception of interests, the domestic issues within the state and practices or norms of the state, (Keohane and Nye,1987:749).

Linking this to the ability of the state to manage its 'soft' resources then leads one to the dynamic and fluidity of the state's soft power capabilities. As mentioned in Keohane and Nye,(1987:749), several attributes of a state's soft power projection can change over time, e.g. political or elite leadership changes can impact on the perception of national interest, domestic political issues can impact on foreign policy initiatives while practices and norms can change over time.

Having defined the nature of the state as well as its impact on firms, the role of the state must be defined within the context of globalization as this impacts the ability of a state in performing its functions as well as in its ability to deploy capabilities to support firms.

2.5.7. Globalization and the role of state

Globalization and its importance are widely debated within both the International relations literature as well within both the RBV and IBV streams. What this study is concerned about is the effect on the shifting perceptions of the role of the state, the global re-organization of

power amongst states and the issues around a state's territorial obligations due to interconnectedness.

One of the most important and dramatic trends within political economy has been the globalisation of financial markets with its round-the-clock exchange of transactions across borders. The Asian financial crisis of 1997 with a run on the Thai Baht was a key defining moment in shifting the thinking about globalisation and its effect on policy-making (Wesley 2008). This crisis brought a renewed focus on state governance and the understanding that in an integrated global economy, governance issues could affect integrated markets as well as domestic markets. According to Clapp and Helleiner (2012), financial globalization has brought a wider debate on the autonomy of a state, its national policies, rise of conflict based on sectors and classes, the distribution of power between states, the growth of transnational authority and corporation between global regulatory regimes. Therefore becomes important to understand why this is attributed to globalization.

In his article on globalisation, Kirshner (2008) indicate three forms through which globalisation occurs:

- (1) Channels associated with the intensification of economic exchange like production, trade and factor mobility
- (2) The flow of information with its impact on the relationship between the state and society.
- (3) The rise of new threats as a result of globalisation like cyber warfare, terror and cultural or identity politics.

The re-emergence of borders and boundaries, nationalism, the rise of neo-protectionism, localism have in many parts created what Held and McGrew (2007) describes ' *an epoch of radical de-globalisation*' and the concept of location needs to be discussed.

2.5.7.1. Shifting concept of 'location' in statehood

The importance of geography and territorial boundaries for a state as well as firms had been dominant in strategic management literature (Dunning 1997) and is also embedded in the concept of statehood by Held and McGrew (2007). The concept of 'statehood' revolves around location and territory and also needs to be defined in terms of being either local or global, (Held and McGrew 2007) as it moves from its national space into the global space. Having already looked at the shifts due to interconnectedness of the global economy, the concept of the authority of the state has been diluted- a process called 'denationalization'

(Held and McGrew 2007). The state also becomes unable to regulate its own national institutions due to interdependence on a globalised network of institutions from other states. Although the concept of location was quite important during the cold war when specific spheres of influence determined the importance of the state, it seems to have become irrelevant. Today, in terms of location, the state is considered to have moved to governing within the global economy rather than focusing on regulate trade authority within its territory,(Held and McGrew 2007). The location of the state also played an important role, as far as Multinational company (MNC) investment was being considered. The high concentration of capital in North America and Western Europe, following from the Second World War was due to the high MNC activity from these regions.

2.5.7.2. Globalization and the balance of state power

Having described the effects of an integrated global economy above, the shift in the balance of power needs to be addressed. In terms of the power of the state, Michael Mann (1994) as cited in Fritz and Menocal (2007) defines a state using the penetration of state policies throughout the state's territory as its projection of power. Globalization has shifted the traditional position that the state used its monopoly on violence and the use of hard power within a state to a new position where it deploys soft and hard power resources across borders. In his paper, Kirshner (2008) states that globalisation reduces or changes the capabilities of the state in respect to the actions of both state and non-state actors. Many states are thus susceptible to a diminishing balance of power equation due to the effect of globalisation. Globalisation has created new power centres including the present hegemonic position of the US along with the redistribution of power amongst rising economic states like India and China.

Thus, it becomes necessary to look into the historical narrative behind the rise of the US hegemony model following the Second World War and the contemporary growth of Asian economies including India using the possibility that these states are attempting to replicate the American Hegemony model. The linkage between US hegemony and economic globalisation according to Held and McGrew (2007) indicates that economic relationships are often defined by the perceived power of states. The UK, Japan and Germany pursued policies and strategies of building and controlling regional economic spheres as well the deployment of power. In the post war period, the US took the lead in building up a liberal multi order economic power system that still exerts its influence in the form of several multilateral institutions like the UN and IMF. Following on from this, one sees a sort of

bargaining of power between the hegemonic state and other states. The leading state opens its domestic markets, creates institutions and manages the imbalances in the system. It provides stability for this system and in return, expects other states to cooperate with it (Ferguson 2004).

Moving onto the second part of this debate is the notion that newly emerging powers like India and China are stepping into the hegemonic position that the United States is vacating its hegemonic position. The work of Niall Ferguson, (Ferguson 2004) is a key reference here. According to him, *‘the leading state enhances its own security and prosperity by providing the rest of the world with generally beneficial public goods: not only with economic freedom but also institutions necessary for markets to flourish’*. In this context, Asian economies like India can be seen as providing cheap goods and services to the rest of the world and in India’s case providing free economic institutions to these markets. We could take this analogy to the current relationship between India and the US. The bulk of India’s success follows opening up of its domestic markets in 1991 and a great amount of its inward FDI was from the American markets. Following on these we now see power bargaining within states. In the case of India in relation to the world’s only hegemon, we can position the US as the dominant state bargaining with the weaker state (India) on balancing its power. In return for accepting this equation, the weaker state gets access to capabilities and a share of the Hegemon’s power across regions. (Held and McGrew 2007) argues that this form of relationship helps the leading state to reduce its costs as it seeks to project power and promote its national security interests. In return, it also has access to cheaper capabilities from the weaker states.

2.5.8. Contribution of the state to the theoretical approach of the study

Having discussed literature on the role of the state, the following aspects of the literature have been incorporated into the resource-based view of the state as shown in figure 10.

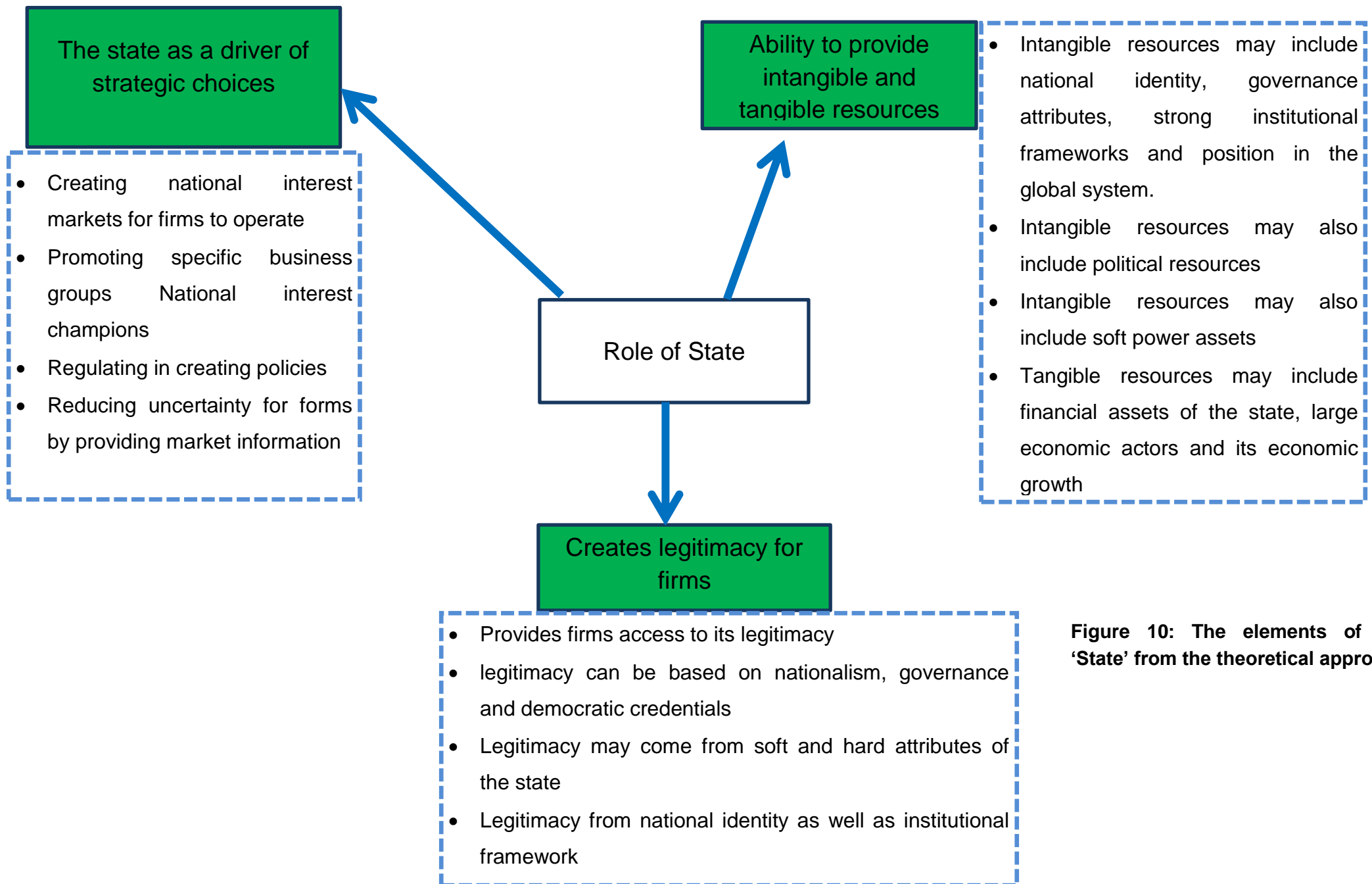


Figure 10: The elements of the 'State' from the theoretical approach

2.5.9. Resource-based view of the state

Having reviewed and extracted theoretical constructs from the resource-based view of the firm, the institution based view and the literature on the role of the state, this section will now integrate them into the resource-based view of the state. It has already been stated that this thesis will use a multidisciplinary integration of the resource-based view of the firm (RBV), institution-based view, and the role of the state to be integrated with the industry-based view of the energy industry. The study has already implied and defined each of these theoretical approaches as well as its importance in international business literature to identify and explain competitive advantage.

In order to situate this study within the central problem that this research is trying to explore, that the 'state' has a new resource-based approach, the integration of the three bodies of literature has been implemented in the new resource-based view of the 'state' (RBS) conceptual framework that is shown in Figure 11. The conceptual framework has evolved from the resource-based view of the firm (RBV), the institution based view (IBV) and the context of the state, as indicated by the case study on the Indian state, which is presented in chapter 4.

As evident from Figure 11, the resource based view of the state which is the conceptual framework that has evolved from the literature review consists of eight elements that have been integrated from three bodies of literature as described in chapter 1.

- 1) The role of institutions in creating the context for resource seeking.
- 2) The role of intangible resources of the state.
- 3) The provision of strategic intent by the state.
- 4) How the state attributes create legitimacy for firms that are seeking resources.
- 5) The process of strategic choices made by the state and its impact on the creation of strategic factor markets for firms to compete in.
- 6) The creation of resource bundles for firms by the state in specific markets
- 7) The role of the state in managing the behaviour of organisations
- 8) The causal ambiguity of the industry context in which resource seeking by the state is carried out.

Each element of the integrated approach that is proposed in the RBS framework has already been discussed within the separate body of literature. Figure 11 shows the level of interaction between each of these separate elements. The aspects of the framework that are marked in BLUE; (1) The role of institutions in creating context, (3) the provision of strategic intent by the state and (7) the role of the state in managing behaviour of firms, have been synthesised from the institution-based view (IBV). The aspects of the framework that are marked in RED; (2) the role of intangible resources and (8) causal ambiguity have been synthesised from the RBV of the firm. Finally, elements of the state from the theoretical literature have been marked in GREEN.

The integrated theoretical approach proposed in this framework will also address the following limitations from existing literature:

- (i) Create an appropriate context for the evaluation of the resource based view - a criticism of the RBV by Priem and Butler (2001:32). This is addressed by using the role of the Indian state in resource seeking, as the contextual position.
- (ii) Show better understanding of the drivers behind role of the state in driving internationalisation
- (iii) Add to the limited literature on the intangible resources of home country government in MNEs undertaking outward FDI (Peng 2012)
- (iv) Add to our understanding of the causal ambiguity by which many of the resource seeking strategies within the energy industry seem to be deployed.

The resource-based view of the state (RBS) is the conceptual framework with which the unit of analysis, the institutional context of the Indian resource seeking state, is approached in chapter 4 and assumes that:

- 1) The state creates a context for the deployment of resources and capabilities by firms in a specific market. The state enables the context to be created by using specific norms, values, formal and informal constraints that create an inimitable advantage for its national firms. The creation of the context is also dependent on the strategic intent of the state for a specific resource acquisition. By deploying resource bundles within this context; firms are able to access the legitimacy of the state, thus giving it a competitive advantage over other firms that may not necessarily have the same resource capability bundles of the state.

- 2) As indicated above, in the process of creating a context for resource acquisition, the state deploys several intangible resources. These intangible resources themselves are, by virtue of possessing the immateriality of being difficult to understand and difficult to exchange by other competing firms, able to offer its national firms multiple benefits in the same market. Intangible resources of the state are created over complex, social, historical and organisational processes and hence are unique to the state creating a unique competitive advantage for its national firms. The states intangible resources are also one of the resource bundles that the firm can deploy to create its industry specific competitive advantage. Firms are allowed to access the state's intangible resources by a process of selection by the state and compete amongst themselves to gain access to the states intangible resources.
- 3) In addition to providing intangible resources, the state also determines the choice of markets for its firms to compete in, determine the nature of the strategic choice the firm can make in these markets as well as condition, the behaviour of the firm by creating formal and informal constraints. The state does this by providing an institutional strategic intent through policies and frameworks as well as determination of strategic resources in line with its national objective.
- 4) One of the intangible resources, that the state is able to offer its firms is the legitimacy of the state. This in turn is based on the state's National identity, elements of nationalism, democratic credentials and other attributes of the state. By being unique to the state, the legitimacy of the state confers an intangible and unique resource that can be used by firms in specific markets that accept the legitimacy of the state as a resource.
- 5) By creating an institutional context as described above, provide the strategic intent for resource acquisition, offer firms its unique set of intangible resources as well as its unique legitimacy, the state can then act as a driver of strategic choices for the firm. The state does these by defining strategic factor markets in which the firm competes for resources, regulates the resource seeking approach through its regulatory power, thus reducing the uncertainty for forms in a new market and also controls firms through the use of formal and informal constraints. Thus, by acting as a driver of strategic choice, the state provides its firms with a unique competitive advantage, which can offset the liability of foreigners in the new market as well as reduce the risk of uncertainty. The state also determines and provides firms with specific tangible as well as intangible resources.

- 6) By acting as a driver of choices, the state also provides firms resource bundle combinations that arise from its unique position in history, in the international governance system as well as its market position in the industry. It also provides intangible resources like the deployment of multiple approaches that favour its national firms. Thus the state creates specific industry conditions that can enable its firms to acquire resources in markets that the state has created and by the deployment of specific state provided resource bundles.
- 7) By combining its unique firm level resources with the resources of the state as well as accepting the conditionality proposed by the state, firms provide a unique organisational behavioural structure that is inimitable and unique to the market. This protects the firm's market position as well as insulates it from competition.
- 8) The process of steps 1-7 enable the state to concentrate on acquiring strategic resources, provide its firms with resource and capability bundles as well as help to reduce causal ambiguity within specific industries. The causal ambiguity of a specific industry creates a unique set of socially complex interactions between firms, resource endowed states and resource acquiring states. This therefore creates a number of resource bundle combinations that are deployed by the state through its selected firms and is by its very nature ambiguous to a competing form from another state. Thus the state selects and deploys specific intangible and tangible resources to support its selective firms, to gain competitive advantage in the market. The causal ambiguity of the industry is unique to a specific industry and the state deploys its resource bundle combinations depending on strategic the industry or market is to its institutional resource acquisition intent.

The resource-based view of the state (RBS) is the conceptual framework with which the unit of analysis, the institutional context of the Indian resource seeking state, is approached in chapter 4.

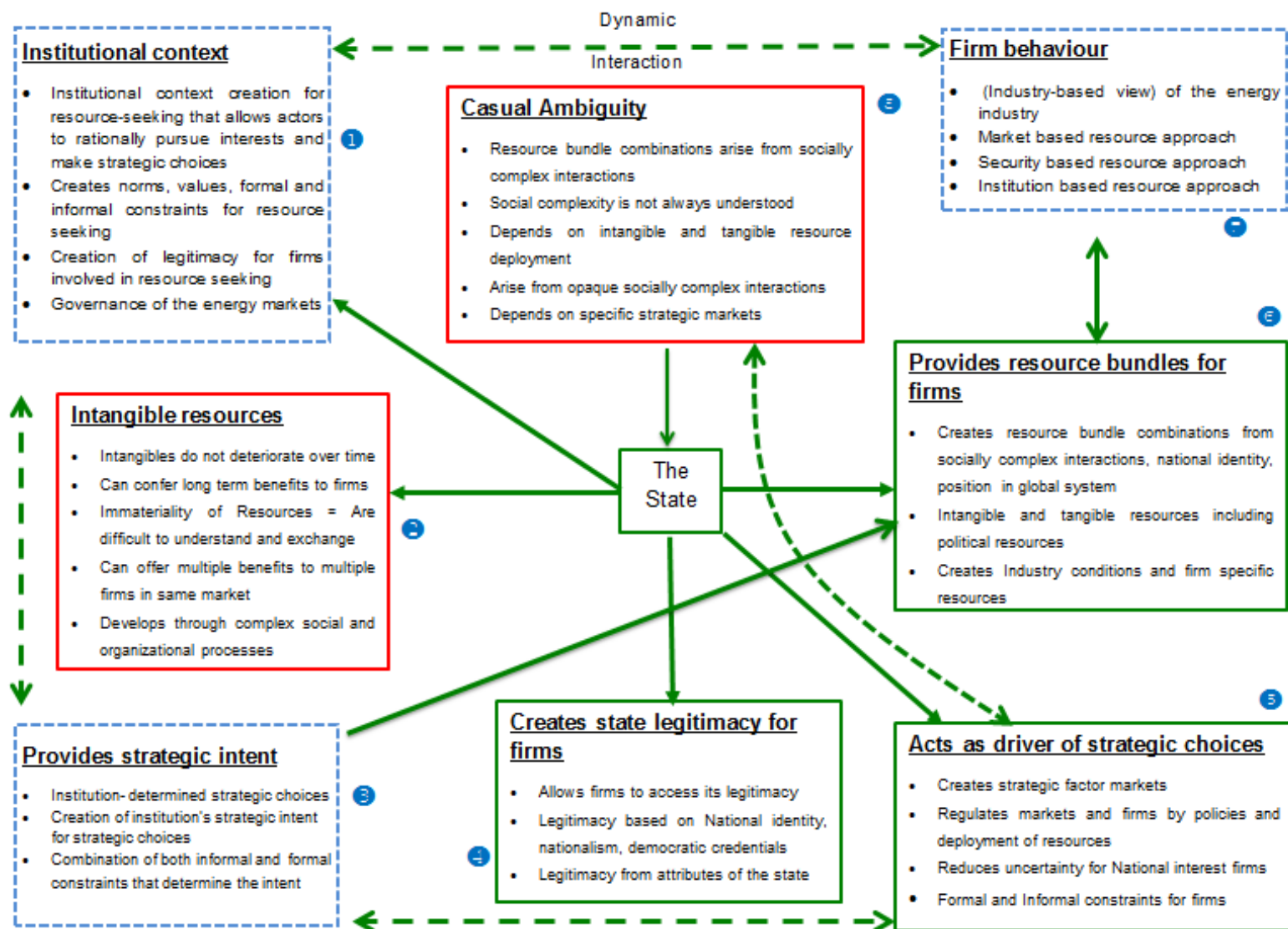


Figure 8: The Resource based View of the 'state' (RBS) framework.

Chapter 3 Research Methodology

3.1 Introduction.

As indicated in the introduction chapter, understanding how the resource-based approach of the firm is extended to the state within the contextual case of how the Indian state acquires energy assets and resources is a central aspect of the thesis. Chapter one set out the central research question of how this study addresses the understanding of the resource-based approach of a state using formal energy acquisition policy as well as informal strategies to acquire energy assets overseas. This is done using institutional support mechanisms as well as the deployment of specific resources and capability bundles.

The key intention of this chapter therefore is to identify, explain and justify the core components of the methodological framework of analysis. These will be applied in order to address the central issues and core questions at the heart of this study. To recap, the Indian state has a new resource-based approach that seeks to acquire energy assets overseas using institutional support mechanisms and the deployment of specific resources.

Given that that the remit of the study is multidisciplinary, as indicated in the beginning of this chapter, the methodology used reflects this.

The following components formed the elements of the overall research methodology.

1. The core research questions
2. The qualitative approach to the methodology
3. Data from secondary research
4. The creation of a case study
5. Empirical fieldwork data collection using an interview survey method
6. Data analysis and interpretation

3.2 Core research questions

As indicated in the beginning of this chapter, the central issue or problematic of this study is to understand and explain how the Indian state goes about acquiring the oil and gas assets it needs to help to maintain economic growth.

The recommendations of Birkinshaw, Brannen and Tung (2011:579) as explained in the introductory chapter were used to frame the context of the methodology process. Birkinshaw, Brannen and Tung (2011:579) had suggested that, in exploratory settings, the research questions should guide the choice of methodology used and researchers should clearly and transparently document the process by which data was collected and interpreted.

The problem that this research aims to explore is:

The Indian state has a new resource-based approach that seeks to acquire energy assets overseas using institutional support mechanisms and the deployment of specific resources.

In the process of emerging as a strong economic power, one of the key issues that India is facing is managing its energy security needs. In spite of the importance of energy to feed its growing economic demands, India's international energy acquisition policy is weak, fragmented and largely ineffectual. Recognizing that the state is losing out to other emerging powers in acquiring oil resources at competitive prices, the Indian government has responded by creating a new institutional mechanism to counter this ineffectual institutional weakness. The remit of this thesis is to understand the effectiveness of this new policy, using the key research questions within the theoretical approach of the resource-based view of the state that was introduced in chapter 2.

To this extent, the following research questions were used to explore the hypothesis.

RQ1: What institutionalized support does the Indian state provide to firms and agencies that it deploys to acquire energy assets?

RQ2: How effective is this support for these firms and agencies?

RQ3: To what extent does the Indian state support acquisition of energy assets that align with its norms and values? Using the above research questions, the thesis creates a more

structured focus to understanding how the Indian state is acquiring assets for its energy security, while grounding the research within clearly defined methodology.

3.3 The qualitative approach of this thesis

The field of international business was founded on a rich qualitative research legacy Birkinshaw, Brannen and Tung (2011) and was built on the key works like Bartlett (1979), Crozier (1965), Fayerweather (1969), Johanson & Vahlne (1977), Kindleberger (1956), Prahalad (1975), Wilkins(1970, 1974), cited in Birkinshaw, Brannen and Tung (2011) . But over time, quantitative research methods dominated the field. One of the key reasons was the shift a broader trend towards positivistic empirical methods in the social sciences according to Birkinshaw, Brannen and Tung (2011:573).

However, there is a new resurgence in the use of qualitative methods as recent evidence supports the increasing use of qualitative research, (Burgelman 2011). Some of the key attributes of qualitative research within the international business or strategic management discourse that renew its relevance are listed below:

Qualitative research within international business has matured to a point where it has become possible to use 'bridging the historians narrative approach and the social scientist reductionist approach in the development of theory' (Burgelman 2011).

A more recent research study, (Cheng *et al.* 2014:643) has strongly suggested that international business needs to concentrate on multidisciplinary research based on qualitative research, which bring together scholars from different disciplines to study phenomena of common interest. A review of articles published in the four key international business journals over a 10-year period by Welch *et al.* (2011) found that case studies was the most popular research strategy. According to this author, this is as a result of the potential of the qualitative approach of case studies to generate novel and groundbreaking theoretical insights

Given that the origins of the field has been from a pluralistic approach, there is a perceived imbalance in the process of developing robust explanations about context reach phenomena and Welch *et al.* (2011) suggest that qualitative research can be a tool to redress this imbalance

Another support for the use of qualitative research comes from Cheng (2007) stating that *"Qualitative research is essential for understanding specific contextual differences between countries or topics"* which aligns itself to the research questions of the thesis.

Having justified the new importance of qualitative research, it becomes pertinent to explain its use in this thesis

Qualitative research has been used in this thesis partly to cater to the multidisciplinary context of international business, a field of study where the thesis is located and partly because this research study in itself has several elements of a multidisciplinary nature, which has been explored in the theoretical framework in chapter two. International business according to Doz (2011) is *"not tied to a single core 'paradigm', does not pursue a single dominant research question and does not abide by generally accepted simplifying assumptions that drives the choice of research methods"*. Doz (2011) strongly argues for multi-disciplinary insights into international business. This has also been supported by several others; Birkinshaw, Brannen and Tung (2011), Thomas, Cuervo-Cazurra and Brannen (2011), Cantwell, Dunning and Lundan (2010).

In fact, the leading journal in the field of international business, the *Journal of international business* (JIBS 2011) in its special issue of 2011, has clearly identified that the field is *"multidisciplinary in scope, and interdisciplinary in content and methodology"*. Furthermore, Ritchie *et al.* (2013) indicates that qualitative research depends on how well a researcher can bring their personal ontological and epistemological belief into the specific research environment. These authors also emphasize on the overall research perspective, the importance of the frames of reference, the quality and richness of qualitative data and the distinctive approach to analysis and interpretation that finally gives birth to a credible output. This is particularly true within the context of the analysis and data sets presented in the thesis.

The richness and the more detailed descriptive analysis within a qualitative paradigm can also provide the researcher with more than a single theoretical lens to analyze data according to Doz, (2011) who argues that *"there is a crying need to move beyond quantitative methods to appreciate the richness and contribution of multi-lateral, multicultural actors within the international business context"* According to (Ritchie *et al.* 2013), there are different qualitative traditions in terms of the main focus and aims of the analytical process.

These are:

1. Ethnographic accounts
2. Life histories
3. Narrative analysis
4. Content analysis
5. Conversation analysis
6. Discuss analysis
7. Analytical induction
8. Grounded theory and
9. Policy and evaluation analysis

However, as qualitative research by its very nature has no single accepted way of doing its research, (Ritchie *et al.* 2013) and thus by extension any definition of qualitative research is also subject to various interpretations, it is imperative to identify the what is meant by 'qualitative research'. In this thesis, we use the definition of qualitative research used by Denzin and Lincoln (2011) as "*qualitative researchers deploy a wide range of interconnected, interpretive practices, hoping always to get the better understanding of the subject matter at hand*". The same authors identify "*qualitative research as an interdisciplinary, trans disciplinary and sometimes counter disciplinary field*".

3.4 Case study approach

The research methodology in this thesis uses the case study approach for empirical analysis of the research findings. Case studies are an important and established component of qualitative research within international business. It is also the most popular form of research and Welch et al. (2011) has argued that case study research has the ability to create new theoretical insights. In section 1.3.1, the primary objective of this study in adding to knowledge within international business has already been indicated. In common with other qualitative research approaches, Raeburn (2015:3) has indicated that case study design, due to its emphasis on studying phenomena in their natural context incorporates different perspectives as well as provide a mechanism to support the testing of connections between theory and phenomena.

In this context, given that the primary remit is to integrate multidisciplinary research insights into a single case study as explained in section 1.4, the use of case study research is appropriate. The use of the case study methodology in trying to extend the resource-based view theory has been supported by Eisenhardt (1989) arguing that case study approach is

the “research strategy that purely focus on understanding the dynamics within single settings”. Wesley (1999:201) supports the case study methodology as a descriptive and exploratory research tool that he criticises as often lacking in rigour. However Wesley (1999:203) also indicates that case study research is a detailed investigation that attempts to *‘provide an analysis of the context and processes involved in a phenomena under study’* which lends its deployment in this study given the remit described in the introductory chapter.

A case study is also about the process of learning about the case and becoming the product of that learning, (Ghauri 2004) while Yin (2009) had opined that that case study research is a strong method to answer the ‘how’ and ‘why’ questions about contemporary phenomena over which the investigator has little or no control. Ghauri (2004) supports and recommends a case study method for an exploratory study where the objective of the study is to develop a proposition or hypothesis for testing in subsequent research. According to Yin (2009:18), a case study is:

‘.. An empirical enquiry that investigates a contemporary phenomenon in depth and within its real-life context.. It copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion and as another result benefits the prior development of theoretical propositions to guide data collection and analysis’ Ghauri (2004), in a similar way, indicates that *‘a case study is a useful method when the area of research is relatively less known, and the researcher is engaged in theory building types of research’*.

Whilst the field of international business has been dominated by quantitative methods, there has been a renewed call for more qualitative research that addresses the dynamic, complex and multi -dimensional process within international business, (Tsang ,2013:195). The influence of pioneering works of Yin(2009) has helped to address the importance of case study research on building theory. International business has several examples of studies using the case study approach. The well-known “Uppsala model” of internationalization is one of the few examples of research developed from case studies, (Vissak 2010). Some of these have been well documented cultural case studies and national business systems, entry strategies of firms into new markets as well as insights into institutional behaviour.

A review of 135 case study-based articles within international business was carried out over the period from 1995 to 2005, (Eisenhardt 1989, Piekkari, Welch and Paavilainen 2008) and this authors have argued that *“the case study research strategy is one that examines*

through the use of a variety of data sources, a phenomenon in its naturalistic context with the purpose of confronting theory with the empirical world". This review case study research work also introduced the notion in the field, that most of the exploratory interview-based case studies in international business studies were based on *positivistic assumptions* and conducted within *a single point in time*.

Moving specifically into the research of RBV of the firm, Rouse and Daellenbach(1999:962) cited in Armstrong(2007:962) have recommended that detailed, field based case studies be used to uncover hidden sources of competitive advantages that could show the relationship between resources and sustainable competitive advantage,

Having defined the relevance of using a case study research methodology, it becomes pertinent to discuss how this specific study used a single case study are supposed to multiple case studies. Eisenhardt and Graebner (2007) have supported the use of the single case study due to its ability to reveal more in-depth analysis. As described in section 1.5, the focus of this study is on the role of the Indian state within a single national context (Kenya).

In section 1.6, this study has already introduced the importance of using in-depth analysis to extend the RBV of the firm and the single case study approach seemed appropriate given the nature of the case chosen, the scale of the issues and the nature of the subject matter.

The process of using the case study approach in conceptualizing the theoretical framework was based on the research findings from both primary and secondary data sources. The case attempted to provide an analysis of the context and processes involved in the institutional behaviour of the Indian state within the Kenyan state. Using Wesley(1999:203) theoretical position, the study did not attempt to isolate the institutional behaviour of the Indian state but rather used a more systematic and RBV based approach to create the case study presented. In doing so, it has presented a framework that clearly links deployment of the RBV approach within a specific national environment and has clearly addressed the role of intangible or hard to observe inimitable resources,(Armstrong,2007:966). Thus, the use of the case study approach has to a large extent provided this study with the ability to measure the effect of inimitable resources within a single study context thereby leading to the creation of new theoretical knowledge.

3.5 Data collection

Collection of data was from two major sources, Primary data collection came from the semi structured interviews with elites and the second was analysis of secondary literature and data sources. The main purpose of data collection was to create the case study of the Indian state in its search for energy assets and to understand the level of institutional support provided to achieve this objective. The researcher attempted to discern a story arising from the data collected from both sources into the case study. As much as possible, the researcher attempted to stay objective and as close as possible to the constructs and insights from the interview.

3.5.1 Primary Research -Empirical fieldwork data collection using an interview survey method

The main survey instruments of primary data collection were the in-depth interviews of elites. The key strength and viability of this primary data instrument according to Mikecz (2012) lies on the fact that elites are willing to talk and open up. However, Hafner-Burton, Hughes and Victor (2013), argue that elites being very busy elusive people are also wary of revealing information about the decision-making processes and the strategic choices in a policy matter. Being powerful actors in possession of key decisions, elites during an interview can also choose the amount of information that choose to disclose or choose not to disclose during the interview, (Richardson 2014).

Therefore the key challenge in interviewing elites in this thesis, was how to balance the management of elites with the primary objective of obtaining information about the decision-making process in the state. The researcher clearly conscious of the cultural and national context of the interviews has tried to present a picture of both primary data from these interviews and linked these into evidence from secondary data sources. While this is not free of limitations, this methodology currently seems to be the best fit of interviewing powerful actors.

Elites are defined as *numerical minorities who occupy strategic positions, at the top of a power pyramid and can act as connectors and bridges between social structures* (Harvey 2010)). Elites are also defined by Goldman and Swayze (2012) as ‘*those who can use their privileged access of control over resources to exercise power without significant challenges*’.

This thesis concentrated on interviewing elites within the political and economic power structures of both India and Kenya. In the next section, the process of constructing the survey cohort, the conduct of the interview survey process, the confidentiality and ethical basis of the interview process, the practical issues around using this method are discussed.

3.5.1.1 Identification of interviewees

The identification and access to key interviewees is supposedly one of the most difficult areas in interviewing, Walford (1994). This has been supported by Costa and Kiss (2011) who argues that the key issue to elite interviews stems from the fact that gaining access is difficult as well as being crucial. During, the initial phase of this PhD thesis, this was identified as a possible constraint. In this thesis, the process of identifying elites was based on their position in the power structure, access to the interviewer, reliability and knowledge of the topic. The researcher was fortunate to have had a personal network of political contacts in both countries that helped in gaining access to elites. Each of the interviewees was contacted using an interview letter (see appendix 2) listing the researcher's contact details, institutional affiliation and the research questions. This was intended to indicate the main areas to be explored during the interviews and also to provide an opportunity for the interviews to organize their thoughts before the interview. All of the respondents were given copies of the University's ethical policy and contacts at the University in the event they wanted any clarifications. Before each interview started, the researcher briefed each interviewee about the nature, purpose and remit of the interview. The University's ethical policy, details of my supervisory team were clearly communicated. Permission was sought from each interviewee to record the interviews with the digital recorder and in cases where this was not permitted, the researcher took notes. Details of interviewees who wanted to remain anonymous were also marked on the note at the time of interview.

Personal and family networks within Indian government institutions were helpful in identifying and accessing key stakeholders during the initial phase of identifying interviewees. The author had also consulted for three companies in the renewable energy sector in India during a previous stint in industry. The CEOs of these companies were be used in order to get access to more interviews, within the energy establishment in India. These acquaintances where then used to approach other interviewees, a process of snowballing that has been identified as a useful approach Park (2005)

The Interviews were held in three rounds:

- a. First round interview was held in New Delhi India in April 2012
- b. Second round interview was held in New Delhi in August 2013
- c. Third round interview was held in Nairobi Kenya in April 2014

3.5.1.2 Interview sample

The researcher completed 33 interviews in both countries. It is not an easy matter to set an optimum number of interviews for a research topic that involves sensitivity. In several PhD studies using qualitative studies, Mason (2010) has indicated that the means sample size is 31. The sample size of 33 is in line with similar works like that of Park (2005) who completed 32 elite interviews for his work on the Korean state. However, Harvey (2010) has suggested that the number of interviews is not an indicator of high-quality research in a study; rather it is the quality of the interviewees.

In this thesis, the researcher gained access to elite interviewees across government, industry and non-governmental organizations in both India and Kenya. The key rationale behind selecting interview samples was to

- I. Gain access to specific individuals representing different parts of the respective state's elites.
- II. Obtain a representative cross-section in the cohort;
- III. Target individuals occupying senior strategic positions across these states and 'potentially' best placed to provide the most informed responses and relevant data for this study.

Given the quality of the interviewees and the position they hold at both state and private sectors, this study can confirm that these interviews were insightful in creating a clear understanding of the role of the Indian state in seeking assets.

Table 4 : List of elite Interviewees

Code	Segment	Name	Organization	Profile	Contribution
IND1	Government	Anonymous	Indian State	Senior member of the Indian Government	Institutional approach of the Indian state
IND2	Government	Anonymous	Parliament of India	Member of Parliament	Oversight for cabinet's energy sub- committee
IND3	Government	Anonymous	Planning commission of India ³	Advisor	Insight into institutional approach
IND4	Government	Ms Sunita Bhalla	Parliament of India	Joint director of the Lok Sabha secretariat library	Gave access to the archives of the Parliament sub - committees on energy and resources as well as relevant printouts of these reports
IND5	Government	Dr Augustine Peter	Ministry of petroleum and natural gas, New Delhi	Director-general of petroleum planning and analysis	Institutional approach to India's energy security
IND6	Government	K Ananda Rao	Ministry of petroleum and natural gas, New Delhi	Additional Director-general of petroleum planning and analysis	Institutional approach to India's energy security
IND7	Academic	Shebonti Ray Dadwal	Institute for Defence studies and analyses (IDSA), New Delhi	Institutional approach as well as private sector involvement	Institutional approach as well as private sector involvement

³ The planning commission of India was a body that concerns itself the building of a long-term strategic vision and priorities for the Indian state. It was replaced in January 2015 by the National Institution for Transforming India,(NITI Aayog).

Table 4: List of Elite Interviewees- contd

Code	Segment	Name	Organization	Profile	Contribution
IND8	Academic	Ritu Beri	Institute for Defence studies and analyses (IDSA), New Delhi	Energy security researcher and former member - energy security cell Ministry of external affairs (MEA)	India in the African context
IND9	Industry think tank	Bhupinder Singh	Confederation of Indian Industry (CII)	Energy Adviser, Confederation of Indian Industry (CII)	India's energy security
IND10	Indian foreign service	H.E Sushil Singhal	High Commission. Nairobi. Kenya	Deputy High Commissioner, Indian	Indian resource seeking in the Kenyan context
IND11	Energy analyst	Prabir Purkayastha		Energy analyst and former consultant to Planning commission of India	India's resource seeking strategy
IND12	Indian media	Piyush Pandey,	The Times of India	Assistant Editor - Business, Mumbai	Role of the private sector in energy seeking
IND13	Indian media	N Sabarinath	The Times of India	Editor – transportation, Mumbai	Role of the private sector in energy seeking
IND14	Private sector	TATA Projects	Anonymous	Senior projects manager with responsibility for Kenya	Private sector involvement in Africa
KE1	Government	Ministry of Foreign Affairs. Nairobi, Kenya	Anonymous	Senior member of Kenyan Foreign Ministry	The Kenyan context
KE2	Government	Ministry of energy and petroleum. Nairobi. Kenya	Eric L Namwalo	Deputy chief economist	The Kenyan context
KE3	Government	Ministry of Energy, Nairobi. Kenya	Mr. Alfred O. Odawa,	Chief Geologist.	The Kenyan context

Table 4: List of Elite Interviewees- *contd*

Code	Segment	Name	Organization	Profile	Contribution
KE4	Government	Ministry of Mining Nairobi Kenya	Raymond Mutie Mutiso	Chief Inspector of mines	The Kenyan context
KE5	Government	Kenya National Treasury	Tuimising Ronoh	Legal Expert of the Public Private Partnerships Unit	The Kenyan context
KE7	Academic	United States International University (USIU). Nairobi. Kenya	Professor Maina Muchara	Assistant Professor	The Indian context and involvement in Kenya
KE8	Private sector Kenya.	CENTUM (Investment company with political clout in Kenya)	Kevin Kamemba,	Project Finance Manager,	Kenya's approach towards institutional investment
KE9	Private sector Kenya	RICH	Aly Khan Satchu	Kenyan energy analyst and geopolitical commentator	The geopolitical aspect of India's involvement in Africa.
KE9	Academic	Riara University. Nairobi. Kenya	Professor Abel Kinoti	Dean, Business School,	Resource seeking by India and Kenya
KE10	Oil sector Kenya	National Oil Corporation of Kenya	Peter Mwangi,	Distribution Manager	India's role in Kenya
KE11	NGO-Kenya	USAID, Nairobi. Kenya	Rachel Kidenda,	Researcher	Indians in Kenya and resource seeking
KE12	Government	Ministry of Foreign Affairs and International Trade	Dennis Mbunu	Analyst	Resource seeking by India and Kenya
KE13	Government	Ministry of Foreign Affairs and International Trade	Ogunbo Nyakundi	Analyst	Resource seeking by India and Kenya
KE14	Government	National Social Security Fund, Kenya Sovereign wealth fund	Tom Odongo	GM (Investments)	Kenya's attitude towards foreign investors

Table 4: List of Elite Interviewees- contd

Code	Segment	Name	Organization	Profile	Contribution
KE4	Government	Ministry of Mining Nairobi Kenya	Raymond Mutie Mutiso	Chief Inspector of mines	The Kenyan context
KE15	Government	Kenya National Highways Authority Nairobi, Kenya	Mesack Kidenda	Director General	Kenya's attitude towards India and the private sector firms.
OT1	Academic	University of London	Professor Lawrence Sáez	Professor Lawrence Sáez SOAS, University of London	Expert on Indian context
OT2	NGO	Department for International Development (DFID) British High commission, Nairobi	Bruce Lawson- McDowall	Section Head Governance and Security	

The elite interview sample was designed to provide input from three perspectives:

- (i) The Indian state and its new energy seeking strategy within the resource based approach,
- (ii) The institutional approach of the Indian state in seeking energy assets, and
- (iii) Understanding the nature of India's resource deployment in an oil producer state and the local perspective towards India's resource seeking approach.

Six interview questions were used to guide the semi-structured interview in both India and Kenya. The interview questions were different in both contexts to reflect the need of the study to address the three perspectives above.

For the interviews held in India, these questions were:

- 1) *What do you think of the Indian State's institutionalised support system for its national oil firms?*
- 2) *How do you think the Indian State actively support these firms as they engage with Africa?*

- 3) *Are Indian oil firms operating in Africa using the Indian State's historical closeness to Africa to gain competitive advantage? Any other rationale*
- 4) *To what extent does State assistance help or hinder these firms in their competition with firms from other countries such as China?*
- 5) *How successful are these firms in meeting India State's objectives and how far is this attributable to the part played by the State itself*
- 6) *Is the 'Indian state' trying to 'catch up' with other resource seeker states in Africa by seeking to differentiate its position as buyer with 'soft power' assets and ability to offer legitimacy?*

For the interviews held in Kenya, the interview questions were as follows:

1. *Is the Indian state pursuing a normative rationale rather than an economic rationale in seeking oil resources in Africa?*
2. *Are Indian oil firms operating in Africa, using the Indian state's historical closeness to Africa to gain competitive advantage?*
3. *Can the institutional support for resource seeking activity in Africa be correlated to sustaining or augmenting the emerging security and power needs of the Indian state?*
4. *Is the Indian state trying to catch up with other resource seeker states in Africa by seeking to differentiate its position as buyer soft power assets and ability to offer legitimacy?*
5. *Does the Indian state have been neo-liberalistic approach to oil resource seeking or is it driven by national interest and resource nationalism?*
6. *Can these be linked to its activities in the oil industry*

Thus, it was imperative that the insights from the sample were used to compare different views of the three main perspectives in identifying any key differences. Due to the significance of the Indian case study as well as access to respondents, the numbers of interviewees were weighted towards India.

3.5.1.3 Interview Format

The researcher briefed each of the interviewees about the nature of the research themes and why they were being interviewed at the beginning of each interview. To provide legitimacy to the interview process, the researcher emphasized Coventry University institutional affiliation and that the research was part of a university approved process. In many cases, in spite of the personal nature of many of the interview contacts, this served to reassure the interviewees of the final objectives of the interview. Whilst interviewing

respondents within the government sector, the researcher issues with the interviewers breaking off to take phone calls as well as trying to interview the researcher to find out more about the topic. This is in line with the experiences of Park 2005 in his PhD thesis.

In line with Harvey (2010) who suggest that *elite subjects prefer not to be asked close ended questions*, most of the interviews started with open-ended questions to achieve a conversational flow and then moved on to the close ended aspect when and if possible. In framing the semi-structured interview, the questions were prepared in a manner to provide an opportunity for the interviews to take the lead on promoting their views. This had enabled “some latitude” to ask further questions in response to what are seen a significant reply (Bryman and Bell 2011:110) and it also raises the possibility of gaining rich, deep, comprehensive and honest responses (Cohen, Manion and Morisson 2000:278) as quoted in (Park 2005). The nature of the semi structured research interview is in contrast to a structured interview, which would permit very little freedom to modify the questions due to its predetermination (Cohen, Manion and Morrison 2000). This according to Park (2005) is a benefit of the semi structured interview with depth and flexibility as its consequence.

The list of questions revolved around the research questions discussed at the beginning of this chapter. A copy of the questions format is listed in Appendix 3. The interviewer also tried to acquire as much information on the topic before interviewing (Harvey 2010), this served to focus on the actual interview process whilst in contact with the elite. It also served to reinforce the integrity of the interviewer. In preparation for each interview, the researcher extensively researched the background of the person to be interviewed where possible in relation to the research topic. The interviewee was also provided with some aspects of information that were not necessarily public knowledge within the research topic as suggested by Costa and Kiss (2011) to reinforce the integrity of the interviewer.

During the process of the interview, the researcher tried to eliminate research fatigue common within elites (Harvey 2010) by asking the interviewee if they had been interviewed on a similar study. Almost all of the interviewees confirmed that this was a new study to them. The researcher was also conscious of the nature of power relations particularly in the interview of elites, (Costa and Kiss 2011) and made a conscious effort to ground each interview within the context of the research questions.

3.5.1.4 Issues and limitations in the interview process

Most of the interviews were successful in meeting its goals. However, like many research activities, several issues were encountered. These are discussed in this section. The most important limitation came from several potential interviewees in both India and Kenya who could not be persuaded in time. Some had issues in providing a clear commitment to participate in interviews. Others clearly refused to participate due to either unwillingness or the perception that sensitive information would need to be revealed. Yet others kept postponing the interview dates.

The researcher had difficulties in identifying exact levels of elites across both countries. In Kenya, due to the intrinsic political and tribal structure of government, there were differences on what could constitute an elite in comparison to a more mature democracy like India. One of the limitations of the interview sample is that elite status is not static as *individuals can lose their status over time* ((Harvey 2010)). This was evident over the 2-year period of the interviews when there was a change of Federal government in India. Thus, within our interview sample, there are respondents who were either retired or no longer possess elite status at the time of writing this thesis. However, they were included due to their intrinsic knowledge of the events related to the thesis.

Due to the elite and powerful nature of the interviewee's sample, the interviewer was as candid as possible about the goals of the research to instill a common trust. The researcher was fortunate in knowing many of the interviewees through personal networks and thus tried avoid issues that would break the trust. In interviews, some respondents wanted their views to remain anonymous or did not want to address specific questions. These interviews were anonymized to protect the interviewees. The researcher also found that most of the interviewees did not want to sign the Coventry University consent forms although some did read the consent and ethical policy documents that the researcher showed them before the interview. This has been a constraining factor for elite interviews,(Harvey 2010). In a vast majority of the interviews, the researcher found that the respondents refused to be recorded. Perhaps this is because elite interviewees are more likely to talk 'off the record' Harvey, (2010). The researcher took notes with permission of the interviewee as an alternative.

Another limitation was that the researcher was unable to interview many of the business elites in India. Within the Indian business sector, it was difficult to gain access to private or state owned oil companies that were involved in resource seeking overseas. However, the researcher gained access to the energy advisor to the Confederation of Indian industry and this was key to understanding the role of the private sector within India's resource seeking strategy. This could be perhaps due to the nature of business elites. (Goldman and Swayze

2012) explains that *“business elites have been historically the most difficult settings to gain access by social scientists. The hierarchy of business organizations are designed to protect those who work there and to deter outsiders from learning more about how they operate”*

Another constraint identified and consistent with elite interviews (Goldman and Swayze 2012) are the delays associated with getting the interviews, the cost of travelling to meet the elite interviewees as well as the time needed to accommodate their schedule. The researcher was able to make two visits to India and one visit to Kenya for the interviews due to budgetary constraints. In order to take advantage of these limitations, the researcher had used the contact of networks available to identify the key interviewees in both countries prior to making the visits. Telephone calls where possible were made to the interviewees or to the gatekeepers of this interviewees confirming time and dates. In most cases, this was reconfirmed, a week before departing to the countries to ensure their availability. In spite of these additional precautions, the researcher was still faced with the one or two interviewees not being around for an agreed interview.

3.6 Data from secondary research

A review of the literature was made across strategic management, international business and international relations to determine the current thinking on the strategies of resource-seeking states, and specifically where the Indian state stood in terms of its energy seeking strategies. This was a two-step process described below.

- (i) The initial search of the literature was done using the qualitative software, MAXQDA⁴ to identify key themes within secondary sources. The software was used to import data from web pages, journal articles and policy documents to create the initial thematic construct. Around 100 articles were reviewed in the initial stage and subject to coding using this software. Table 1 below shows the themes that emerged using this process. The weight of each code was determined by number of times the code appeared in the literature set. This process allowed the researcher to identify the existing themes and body of literature. This was not an exhaustive search, but anchored within the initial idea of the thesis and available data sources.
- (ii) The second step was to create the boundaries of this thesis based on the research questions and the geographical location of research. As indicated in the introduction chapter, this research specifically concentrates on India seeking energy resources

⁴ <http://www.maxqda.com/>

within a geographical orbit- (Sub Saharan Africa). The researcher concentrated on selecting India as a primary vehicle for the study due to personal access to key policymakers within the Indian state. The choice of where the Indian case study would be based was driven by access to key information from another country. The state of Kenya in Africa was chosen, partly due to its historical connections to India and the researcher's access to key political and economic elite within the Kenyan state. Consideration was also given to Kenya's status as a new oil producer state, the role of the Indian diaspora in its development and its recent key engagement with Asian powers.

3.7 Data analysis and interpretation

In order to analyze the data collected from the primary and secondary data sources, this thesis has used the methodology described by Ritchie *et al.* (2013) as the main reference point. The researcher has used narrative analysis, which identifies the basic story that has been told, focusing the way the narrative is created, the intention of the storyteller and the nature of the audience along with the meaning of the story being told (Ritchie *et al.* 2013) as the qualitative tradition in this methodology. Within narrative analysis, we concentrate on structural analysis of the way the data and thematic content collected is focused into the conceptual framework that has been created as a result of this thesis. Riessman (1993) had indicated that the structural approach of the narrative analysis is suited for in-depth analysis of a single case, one that can build theories from structuring the research setting and relationships. However, one of the limitations of narrative analysis is the little influence of value adding potential if they conform what the readers and others take for granted from the case study being studied, (Perren and Ram, 2004). Narrative analysis in this research setting is concerned with capturing and interpreting meanings within the collected data in line with the recommendations of Ritchie *et al.* (2013). The researcher has tried to treat the data collected as representing phenomena, which was reduced into a more meaningful structure through analysis using a coding construct as well as categorization. The key procedure was identifying key themes as described in the section on secondary data collection, identifying concepts from the interviews and conceptualizing them within the resource based approach. The researcher used a two-stage method to analyze data. The first part focused on a review of existing literature in the area, coding constructs to identify key themes. The second stage involved the analysis of the interview transcripts and notes to understand the narrative followed a similar pattern. If not, the focus was then shifted to other differences in the narrative between these two data sources.

3.7.1 Coding the constructs

In the process of defining, the specific constructs, the research created a specific coding structure using the qualitative data analysis software- the MAXQDA. In the secondary data collection, this software was used as a text retriever to facilitate the searching of large amount of data using keywords, (Ritchie *et al.* 2013). Once the keywords were quantified and judged on their importance to specific categories, the next step was comparing them against information from existing literature, interview data and then move on to developing the conceptual framework within the case study. In order to develop the coding constructs, the researcher had considered a broad range of literature from international relations, politics, strategic management, trade and government/foreign policy. The process of coding is a subjective process as the researcher has chosen the concepts to focus on (Walsham, 2006). Most of the selection had come from the interview insights and analysis of literature and were carefully selected. According to Scott (2004), *'the principal objective of selective coding is to explain the story line'*. The use of selective coding has helped to develop the central theme of the thesis- the story of India in Africa and how it seeks oil assets.

Based on the Interview insights and data from the analysis of the existing literature, a code system was created using the codes (Please see appendix 4 for the complete list of keywords/codes). The weight of each code was determined by number of times the code appeared in the literature set. This process of coding helps in anchoring the research questions within a conceptual grounding. The use of this coding is helpful in helping to understand the nature of relationships between codes. Strauss and Corbin (1994) have argued that this pattern creates a process that helps in better understanding the process. (Ritchie *et al.* 2013), have stated that the search functions in software tools have the capacity to support analysis of the formal structure of narratives. The above code system was then used to encapsulate the resource based view theory of the state (RBS) model, which is discussed in the second part of this chapter

3.7.2 Analysis and evaluation of Interview data

All of the interviews were transcribed from either the recordings or the notes of the researcher. This formed the interview document. From the list of codes created in section 3.6.1, the researcher tried to make sense of the interviews using the method of DeCuir-Gunby, Marshall and McCulloch (2011). These authors recommend using codes from either pre-determined sets, existing theory or themes that arise from the raw data of interviews. The researcher had attempted to identify new emergent themes using the process of coding the interviews, which went on to form part of the case study. The process of coding the interviews was a two-stage process in line with Corbin and Strauss (2008) guidelines. The

first stage was the process of open coding or “*breaking data apart and delineating concepts to stand for blocks of raw data*”. This allowed the researcher to break down the raw data.

The second stage was the process of axial coding where the codes have been created using open coding, were subject to analysis. The researcher used the codes from table 2 to ‘*identify any connections that may exist between codes*’, (Corbin and Strauss 2008). These codes were obtained from the analysis of secondary data as explained in section 3.7.1 and are arranged in the number of times they appeared in literature.

Figure 1 below shows this was integrated into the development of the case study of the Indian state.

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Figure 1: Circular process of coding from DeCuir-Gunby, Marshall and McCulloch (2011)

3.8 Creating the Institutional Case and conceptual framework from analysis

Ritchie *et al.* (2013) had suggested using an initial index with main and sub- themes to start the process of creating a framework. In this research, the initial set of themes from the codes in table 1 was used to create the conceptual framework. This structure was not rigid and constantly changed as more information and data sets were collected. Its primary function was to ensure that there was conceptual clarity and that no areas of overlap or omission existed (Ritchie *et al.* 2013).

Once the researcher, had the initial framework in place, this was applied to the data from both the interviews and other datasets. This was constantly refined till the final framework emerged.

The next step was to sort and order the data in a logical and coherent category. The existing theoretical framework of the resource-based approach in strategy was used to perform the categorization of themes. This study used the method suggested by Pan and Tan (2011) in their structure-pragmatic-situational (SPS) approach to case research to create the case study in chapter 4. The SPS approach consists of eight separate steps that are taken to collate data into a case study (Pan and Tan 2011:164). These are:

- (i) Step one: access negotiation
- (ii) Step two: conceptualizing the phenomenon
- (iii) Step three: collecting and organizing the initial data
- (iv) Step four: constructing and extending the theoretical lens
- (v) Step five: confirming and validating data
- (vi) Step six: selective coding
- (vii) Step seven: ensuring theory -data -model alignment
- (viii) Step eight: writing the case report

The final stage was the summarizing and synthesis of the original data into a more manageable level as well as to ensure critical depth of the framework proposed.

3.9 Ethical Dimensions

Informed consent is an important feature of ethical consideration in any research involving human subjects. The basic elements of informed consent are the researcher's identity, a brief description of the study and its procedures, and assurance that participation is voluntary and that the respondent has the right to withdraw at any time without penalty, and assurance of confidentiality and benefits and risks associated with participation in the study. It is essential, then, that attention is paid to the institutional guidelines and procedures for dealing with human subject. Furthermore, a critical distance between the researcher and the respondent is necessary for the maintenance of data integrity. This PhD thesis was subject to Coventry University's ethical approval process and due care was taken at all steps to conform to this policy.

3.10 Summary of the research methodology.

One of the strengths of clearly building a case using methodology described above that is that it may generate something new (Huberman and Miles 2002). The process of getting information that may contradict established knowledge and this would help individuals to reframe perceptions into a new system. The clear bedrock of this methodology is on reordering and reappraising material in public domain with insights from the elite interviews. The value of the thesis was in identifying any missing information and to present this in a conceptual model- the resource based view of the state.

Building a theory from this kind of analysis helps in reconciling evidence across the data and the nature of investigation. According to Huberman and Miles (2002) this can create a theory that is very rich but lacks simplicity of overall perspective. The researcher has attempted to do this within the constraints of both interviewing powerful actors, interpreting state policy and trying to create a logical understanding of the resource driven approach states like India use in seeking energy assets. One of the weaknesses of using a method to generating the conceptual framework is that it can create something very complex because of the nature and volume of research data that the researcher plays with. There is often a temptation to build a 'grand' theory which tries to capture everything. The researcher tried to manage these by clearly categorizing and reducing data into manageable bits. A problem with interviewing elites is that it's often difficult to maintain strict objectivity to the research questions. In addition, due to the sensitive nature of some of the positions, the researcher was obliged to ask questions on what is perceived to be the 'official line'. Datasets from the interviews across both countries were analyzed to go beyond the 'official line' and create an insightful framework.

Chapter 4 The Resource based view of the Indian State

This PhD thesis has already set out in chapter 1 that the research aims to explore the role of the state in resource-based approach. This chapter follows on from chapter 3 where the theoretical approach was introduced in the form of the resource-based view of the state. The role of the state in the resource-based approach is analysed by using the case study of the Indian state as the unit of analysis. In order to do this, this chapter will be addressing the following aspects:

- (i) The institutional context for resource seeking (RQ1)
- (ii) The nature of institutionalised support that firms and agencies obtain from the state (RQ2)
- (iii) The nature of intangible resources like state legitimacy, institutions, political strategies, culture as possible resource bundles for firms
- (iv) The state's role in creating strategic markets and choices for its firms
- (v) The nature of the state's deployment of resources specific markets
- (vi) The use of state norms, values and legitimacy as resource bundles (RQ3)

The key intention of this chapter is to develop the case study on the Indian state using primary data from the interviews held with stakeholders from the Indian state and the deployment of resource bundles in the Kenyan state. The primary data used has come from the interviews that the researcher had conducted in 2012 and 2013, access to policy documents from Parliamentary committees and the LARDIS⁵ database of the Indian Parliament (Lok Sabha). The LARDIS (library and research, documentation and information services) database is part of the Parliament library and functions under the authority of the library itself. This was linked with secondary data to create the case study of India and its new search for energy resources. The interview questions that were used in the semi-structured interviews are available in appendices 3 and four of the thesis.

Using evidence from the interviews as well as from secondary literature, this chapter presents the argument that the Indian state is using a combination of the following energy security approaches that has already been discussed in chapter 2. To recap, these are:

⁵http://rajyasabha.nic.in/rsnew/information_booklet/Information%20management%20For%20Legislators.pdf

- 1) Institutional-based approach
- 2) Market based approach
- 3) Security-based approach

In addition to these approaches, the case study also presents an examination of the intangible resources of the state deployed to support its resource seeking activities. Before the case study is presented, the nature of the Indian state is addressed in order to understand better, the institutional context of the case study.

4.1 The nature of the Indian state

This study has already defined what constitutes a state and statehood in chapter 2 and will now explore this within the context of India. In his book, India's first Prime Minister, Jawaharlal Nehru romanticises the notion of India as the '*continuity of a 5000-year-old cultural tradition*', (Nehru 1994:52). Today, as one of the fastest and largest economies in the world India stands poised as one of the 'rising powers. One that '*has the potential to transform the power equation in Asia*' according to one of the interviews (IND7). Yet historically, the Indian state has always followed a different path following independence from Britain in 1947. For most of its existence from independence till 1991 when economic liberalisation took root, the Indian state exhibited elements of the classical 'developmental state' while in some specific sectors the strong regulatory hand of the state was visible with its reliance on inefficient bureaucracy. It is in this context that Kohli (2012:183) argues that India's model of the developmental state is unique and lies somewhere halfway between the efficient East Asian developmental state model and the failed sub Saharan state model.

To better understand the exact nature of the state, this section will now explore elements of both the developmental and the regulatory aspect of state. In chapter 2, the study has already indicated that the developmental state arises from historical and economic circumstances. This becomes evident in the case of the Indian state, as the next set of paragraphs will demonstrate. The review starts with the historical review.

4.1.1 The historical role of state in the economic development of the Indian state

The early part of India's economic development focused on rapid industrialisation and focus on heavy industry which was expected to maximise long-term growth and also to offer the state and independent development path, (Kohli 2012:2). Dominated by the political preferences of the Congress party, the early development led by statist model stressed the following: (1) the importance of maintaining national sovereignty; (2) a belief in the state's

superior capacity to manage capitalist development; (3) the need to incorporate India's poor in its development (Kohli,2003:198). The presence of a weak capital market coupled an underdeveloped domestic economy was perceived to be the reason why the state presumed this role, (Kohli 2012:2). Although statist models of development have achieved important gains in many other states, within the Indian state there was a mismatch between development and the limited capacity of the Indian state to guide social and economic change,(Kohli,2003:194)

4.1.2 The rise of the Indian developmental state

Berger and Ghosh (2010:598) regard the beginning of the developmental state in India as starting from India's first Prime Minister, Jawaharlal Nehru and his national developmental agenda. This included an emphasis on public sector undertakings, heavy industries, land reform and the cooperative reorganisation of agriculture. During independence, rural poverty and income disparity were the key issues that faced the government. This meant that the Indian state then concentrated on developing the agriculture sector and the creation of heavy industries to lift people out of poverty. The rise of the developmental state's role in managing industrial policy is assumed to have started from this specific point. Having won elections in 1966, Nehru's daughter, Indira Gandhi is credited with shifting the state from a purely modern industrialisation development agenda articulated by her father to one of selective industrial development and elements of cultural nationalism, (Berger and Ghosh 2010:599). Successive governments then followed the process of reducing the state's involvement in industrial development, co-opting the private sector. This culminated in opening up the Indian state to economic reforms in 1991.

In this model of developmental trajectory, the Indian state is considered to have followed the path of other states like Brazil, Mexico, and China and to some respects South Korea, (de Medeiros 2013). The major difference is that the Indian developmental state lacked the cohesiveness of an institutional framework (de Medeiros 2013:43) that could bring both the public and the private sector institutions together.

Continuing with the nature of the developmental state, some of the key features of the Indian developmental state between 1950 and 1980 according to (de Medeiros 2013:48) were:

- (i) A high percentage of state companies in the strategic sectors of heavy industry and infrastructure.
- (ii) Strict protection of its internal market through protectionism
- (iii) The use of an Import- substitution strategy

However, when compared to other states in Asia, the Indian developmental path was different and is considered to be autonomous due to its neutral position during the cold war following its non-aligned approach and yet being influenced by Soviet planning methodologies that prioritised heavy industry. Industrialization of its domestic base was the prime strategy of the Indian developmental state (de Medeiros 2013:48). This polarity in the developmental path, created new forms of engagement within actors of the state. According to Dubash and Morgan (2012: 264) , the developmental state literature shows that there are different configurations of engagement between the state and the civil society. In the case of India, this lies in its Federal system of government, the centralised planning structure of the Indian developmental state and the federal political system. The next set of paragraphs will briefly examine each of these configurations.

4.1.3 The federal nature of the Indian state

The Indian state is a federal republic based on the union of individual states. The Republic is governed based on its constitution which provides for the president of India⁶ as the head of state as well as head of government. Day-to-day administration on policy-making is determined by a council of ministers headed by the Prime Minister. The structure of government is based on the Parliamentary system and a upper and lower house of parliament. Executive power is vested in the Council of ministers headed by the Prime Minister.

Based on the constitution of India, legislative powers are distributed between the states as well as the central government. The seventh amendment to the constitution of India in 1956 reorganised states on linguistic grounds. According to one of the foremost experts on Indian federalism, Professor Pritam Singh, the reorganisation of India on linguistic grounds was present immediately after independence (Singh, 2014:59) but gained traction only in 1956. The early leadership of the Indian state was suspicious of any division of the Indian state based on linguistic grounds as it might undermine the unified Indian identity and consequent Indian nationalism.

As a federal union of states, India has 29 states and seven union territories. Each state has the ability to form its own executive body under the chief minister and the legislative assembly. However responsibility for the governance of the Indian state is divided between the central government and the states. Figure 12 below shows the distribution of power

⁶ <http://indiacode.nic.in/>

between the federal government and the state government in India as reported in Ahn and Graczyk (2012). However, the distribution of power as reported by Ahn and Graczyk (2012) does not clearly indicate how industry is treated by the centre-state relation. According to the seventh amendment of the constitution of India, the union list (on which the centre has a power to legislate) includes industries strategic to war or defence. Other components of industrial are part of the state list and some are on the concurrent list. The gradual usurpation of the power of the state by the federal central government has been documented by Singh (2008) using the example of the state of Punjab. In the Punjab, the centre concentrated on increasing the agricultural infrastructure of the state to increase self-sufficiency within the Indian state. This had come at the expense of industrial development and Singh (2008) using government data had proved that the use of public funds by the centre undermined the development of large and medium scale industry. This particular nature of India's federalism finds relevance within the larger role of the Indian state in seeking resources-the theme of this study.

Any discussions on the Indian state and its role in industry has to take into consideration the centre-state relationship within the context of Indian federalism. In his book, *Federalism, Nationalism and development: Indian and the Punjab economy*, Professor Pritam Singh has presented a historical overview of the Centre State relations within the Indian state particularly in terms of how centralisation and decentralisation had shaped the formation of the Indian state from independence in 1947(Singh,2008). Although the Indian state set about forming a unified Indian identity as the basis of the formation of the new state in 1947, the partition of British India into Pakistan and India on religious grounds set the scene for the rise of an economically dominant centre (Singh,2008). Although the constitution articulated that the Indian republic was a 'union of states with a unified Indian nationalism', Singh(2008) argues that the economic dominance of the centre created a centralisation of power within the Indian state and subsequent dependence of the states on the centre for any kind of physical or economic support. Thus, within the federal structure of India most of its economics decisions and policies had to be implemented by the centre.

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Figure 9: Distribution of power between central and state governments based on Ahn and Graczyk (2012)

Although considered as a rising power, the Indian state suffered from inadequate political and economic reforms in the 1980s and 1990s. The federal state is still active in controlling the resource allocation as well as the opening up of the Indian state of the global economy, (Singh and Srinivasan, 2013:34). The greater dependence on the global economy was built on reform of India's government structure leading to liberalisation of the economy as well as openness to the receptor foreign capital. This economic shift in policy has caused a shift within the federal structure leaning more towards market and private sector institutions rather than having state led central planning in a dominant role, (Singh and Srinivasan, 2013:35). Given that, most of India's fiscal federal institutions had evolved in the context of being components of a planned economy, the new policy of economic liberalisation and an increasing role of the private sector in India's economic growth is remarkable. The dependence on a central planned economy had created many public enterprises that were used to expand the economy by producing goods and services that were inherently more expensive than those within the private sector, (Singh and Srinivasan, 2013:43). Hence for most of its existence the economic growth of the Indian state was monopolised by a state owned institutions and capital.

The nature of the Federal system of government had also impacted the political system in India. The brutal aftermath of dividing the country into two states led to the formation of the Indian identity, one which Singh (2008) calls a secular nationalism led by the dominant Hindu nationalism that usurped aspirations of minority communities like the Sikhs. In India's early political system, the Congress party dominated India's political landscape and the early

developmental mode of the Indian state. Following its defeat in the 1977 elections, a new face of coalition politics emerged with a new focus on regional rather than an national consensus. Regionalism became more prominent with the rise to power of the Bharatiya Janata Party (BJP) in 1999 creating a new multi-party coalition system of politics, (Ahn and Graczyk 2012:11) that had significantly changed the nature of the Indian state, both in terms of national identity as well as in terms of firm decision-making. The BJP party was seen to represent the Hindu version of Indian nationalism and Singh(2008) has argued that this has come at the expense of other minority communities within the federal structure of the state.

In 2014, the BJP party returned to power with an absolute majority in Parliament and is also changing the way the Indian state is being perceived by both external and internal actors with its focus on resurgent nationalism. According to Singh (2008) three key aspects are central to understanding the politics of the Indian state;

1. The conception of India is a nation
2. The position, place of class and caste in the perspectives of political parties
3. The class/caste composition of political leadership and social base

The combination of these three key aspects would later present itself within the coalition politics of the Indian state from 1984 onwards. Coalition politics and the rise of regional parties have highly fragmented the political nature of India's democracy,(Sud 2014:46). Many of the regional parties were focused on state-based, ethnic, and ideological or caste - based issues rather than national issues. The Indian state is thus considered to have accommodated political and social heterogeneity throughout its recent history (Sud 2014:46) due to its initial emphasis on a federal system of government. The federal structure of the state and the developmental fate of India would be enshrined in the centre led five-year plans initially proposed by the National Congress party following independence in 1947,(Sud 2014:46). The process of central planning within the federal form of government has allowed the centre to concentrate economic power in itself (Kalirajan and Otsuka 2012:1512). A strategy of centralised planning using the planning commission and its five-year plans gave the Indian state a form of legitimacy in its developmental agenda as it aimed to transform India's economic nature. Although states, are allowed some degree of devolution within the federal system, political parties and regional issues have dominated the Indian political system according to Sud (2014:46) creating a form of institutional inertia. The planning commission of India was set up in 1950 as a mechanism to accelerate economic development by allocating state resources as efficiently as possible (Ahn and Graczyk 2012:18).

4.1.4 India as a regulatory state

Having defined the role of the developmental state in India, it becomes pertinent to address the regulatory nature of the Indian state as well, which has been disputed by Ahn and Graczyk, (2012:12). The regulatory state has been defined as being one that relies on institutions that *'operate at arms-length from the government, is insulated from political pressures and categorised by a rule-based technocratic fare approach to economic governance'* (Dubash and Morgan 2012:262). In the case of the Indian state, one can see elements of the regulatory state particularly during the period from 1970 to 1980 when it relied on external aid to integrate its economy into the international system. Most of the external aid particularly from institutions like the IMF had extensive conditions attached, a form of self-regulation in itself.

Within the Indian state's development path, Kohli (2012:10) has suggested that the reason why the Indian state cannot pursue a pure independent development path has been the behaviour of interest groups like politicians, economic elites, bureaucrats and the organised working sector who have benefited from the state's regulatory policies. A possible explanation for this behavioural aspect could be the historic regulatory nature of the Indian state. This position can be based on the argument of Dubash and Morgan (2012:261) who defines three contextual positions of the regulatory state that can be applied to the Indian state:

1. The first context is the presence of powerful external pressures especially from international financial institutions like World Bank and the IMF to innovate and regulate institutions in its infrastructure sectors.
2. The second is a greater intensity of redistributive politics in states where infrastructure services are of poor quality and often non-existent. In this context, the argument that these draws in other actors into the regulatory decision-making process due to India's political process.
3. The third context is the notion of a limited state capacity to enforce institutional regulation due to the constraints of the state.

From the above evidence, the Indian state is considered to be one that is in transition towards a free market economy but still has a vestiges of a regulatory state that dominates some sectors like that of energy seeking, (Ahn and Graczyk 2012:12). This has been supported by, Sud (2014:44) who indicated that *'the state of norms, bureaucratic policy-making and politics is alive and active in India'*. Although the bulk of the literature reviewed

has identified the Indian state as being one that has followed the developmental path, the energy sector of India with which this study is concerned is a highly regulated one.

4.2 The energy sector of India

The state has dominated India's energy sector right from independence when the state focused on regaining control of its oil and gas sector away from the colonial oil firms, (Ahn and Graczyk (2012:58). India's most prominent asset seeking oil company, the oil and natural gas commission (ONGC) and the Indian oil Corporation were created in the first wave of state control, to manage the upstream and downstream sectors respectively. Following on these, the entire hydrocarbon sector was nationalised in the 1970s, (Ahn and Graczyk 2012:59). The opening up of the Indian in 1990 of the key needs of the state was to ensure that it could meet India's growing energy demands from an increasingly integrated global supply market over which it had no control. Policy planners were concerned at the effect of the energy market and India's economy specifically in light of the foreign exchange debt crisis in January 1991. India was just weeks away from defaulting on a sovereign debt partly due to its huge dependence on imports of crude oil resources from the global market according to interviewee IND1. This was the beginning of a new focus on acquiring energy assets outside of the global supply market. In 1993, ONGC was given permission by the planning commission of India, to invest in exploration and production (E&P) activities in Egypt, Yemen, Tunisia and Vietnam. However, it was only in 2000, that ONGC (through its subsidiary ONGC Videsh Ltd) was given a Cabinet approval to acquire outright ownership of potential oil and gas resources, (IND1).

4.2.1 State regulation of energy resources seeking

However, according to Ahn and Graczyk (2012:7), the dominance of the state in the energy sector had moved from provision of stricter regulation to one that is based on market principles that balanced both private and public sector participation.

Some elements of the Indian state intervention in the energy sector include:

- a) The state exclusively dominates the nuclear energy sector
- b) Pricing of India's petroleum products has been decided by the state under the administered pricing mechanism (APM) till 2002
- c) Although oil-marketing companies were allowed to send the price of all fuels, Kerosene and LPG remained regulated by the state.

- d) Diesel and gasoline prices were deregulated in 2010, but oil firms need to set prices in consultation with the Ministry of petroleum and natural gas and cannot arbitrarily set market prices.

The reforms within India's energy sector according to Ahn and Graczyk, (2012:8) are :

- (i) The power sector has achieved a greater degree of liberalisation and has allow the entry of private investment throughout its value chain
- (ii) Coal being the primary source of energy for India, is still restricted to private investment
- (iii) The oil and gas sector has been liberalised attract private investment and increase domestic production
- (iv) The renewable part of the energy sector has seen private investment under government control.

The regulatory aspect of India's energy sector is driven by three main policy objectives, (Ahn and Graczyk 2012:16) as well as by key ministries.

- (i) Energy access,
- (ii) Energy security and
- (iii) Mitigation of climate change

The strong hand of the state in the energy sector is also evident from the fact that policy-making and implementation is split among five ministries and several state institutions including the planning commission, (Ahn and Graczyk 2012:19). Till 2014, the planning commission carried out the regulation of the energy sector in the Indian state. In 2015, the National institution for transforming India (NITI) replaced the commission⁷. The planning commission of India formalized elements of the state's overseas energy acquisition policy into an integrated energy policy that was adopted by the government in December 2008, (IND9).

Some of the key features of the policy that are relevant to this study are:

- (i) The state's regulatory philosophy in the energy sector is presumed to offer a level playing field to both private firms as well as state owned firms involved in resource seeking.

⁷ <http://planningcommission.nic.in/>

- (ii) The Indian state was mandated by the policy to '*pursue all available fuel options and forms of energy and must seek to acquire new energy sources abroad*, (Singh 2010:24).
- (iii) The state was mandated to ensure energy security through the following measures, (Singh 2010:24):
 - a. Lower the requirement of energy demand through efficiency gain
 - b. Substitute imported fuels with alternatives
 - c. Expanded domestic energy resource base
 - d. Maintain a strategic reserve equal to 90 days of oil imports
 - e. Build a strategic stockpile of nuclear fuel to counter the risk of destruction of international fuel supply
 - f. Acquire energy assets abroad and
 - g. Set up energy intensive industries like fertiliser plants in energy resource rich countries and transport the finished goods back to the Indian economy for consumption.

4.2.2 Key institutions involved in energy resource seeking

The key institutions can be divided into state owned firms as well as private firms. However, the study would also like to introduce the key government institutions that are involved in resource seeking.

4.2.2.1 Institutions with resource seeking mandates

- (i) The **Ministry of power** responsible for the power sector
- (ii) The **Ministry of coal** which has responsibility for policies on exploration and development of coal reserves
- (iii) The **Ministry of new and renewable energy** which supports the government's agenda on climate change
- (iv) The **Ministry of petroleum and natural gas** that oversees the oil and natural gas sector of the Indian state. Is responsible for the five-year plans for the sector as well as overseeing the import, export and conservation of petroleum products and natural gas. The ministry also regulates the pricing of gas produced by state-owned public sector undertaking (PSU) by controlling eight statutory bodies and 14 PSUs.
- (v) **The Directorate general for hydrocarbons (DGH)** acts as the upstream regulator and monitors the country's exploration and production activities as well as the coal bed methane projects. It reports to the Ministry of petroleum and natural gas

- (vi) The **Petroleum planning and analysis cell (PPAC)** was created in 2002 to enhance institutional capacity of oil and gas related data management and analysis. It reports to the Ministry of petroleum and natural gas
- (vii) **Petroleum and natural gas regulatory board**- an independent body that is government owned but operates independent of the Ministry of petroleum and natural gas.
- (viii) The **Department of atomic energy** responsible for all aspects of India's nuclear policy.

In addition to these five key ministries, the Ministry of external affairs has also become active in the energy security -related aspect of foreign policy. A specialised division called the Energy Security division was created in 2007 to support international diplomatic engagement for resource acquisition,(Ahn and Graczyk 2012:20) and the researcher had interviewed one of its former employee,(IND8) as part of this study. In addition to these government bodies, the Ministry of Finance also plays a significant role in energy policy by determining the directions of budget allocation for energy resource seeking.

4.2.2.2 State-owned resource seeking firms

- 1) **Oil and natural gas commission (ONGC)** -is the largest state-owned firm and the holding company of ONGC Videsh limited (OVL). OVL is India's largest overseas energy asset seeking firm with a budget of \$17.2 billion to spend on overseas acquisition from 2012 to 2017, (Ministry of Petroleum and Natural Gas 2010:134) and has acquired 43 overseas oil and gas assets in less than six years to add about 255 million tonnes of new reserves since 2003,(Singh 2010:5). The key markets in which it currently operates are
 - a. Southeast Asia
 - b. Central Asia including. Sakhalin- 1the largest oil assets of the Indian state in Russia
 - c. West Asia
 - d. Africa including Egypt, Libya, Nigeria, Sao tome and principe, Sudan, Gabon
 - e. Latin America
- 2) **Oil India Ltd (OIL)** one of the oldest upstream companies, focusing on the northeastern part of India and the Rajasthan State. It has acquired assets in nine countries and has spent \$500 million currently towards acquisitions. Current areas of operation include Malaysia, Venezuela, Libya, Gabon and Egypt.

Many state-owned oil marketing companies which have a near monopoly on petroleum retail distribution in India (Ahn and Graczyk 2012:60), have also been used to acquire overseas assets these include companies like Indian oil Corporation, Bharat petroleum Corporation, Hindustan petroleum Corporation Ltd and Chennai petroleum Corporation Ltd.

- 3) **Indian oil Corporation Ltd-** its overseas portfolio includes assets in Libya, Iran, Nigeria, Gabon, Timor leste, Yemen and Venezuela. In 2010, the company created a new special-purpose vehicle called IND-OIL to acquire overseas exploration and production (E&P) assets.
- 4) **Gas authority of India Ltd (GAIL)**, which is a state, owned company that maintains over 75% of the domestic gas transmission network. It has a limited overseas portfolio according to Singh (2010:22) partly due to its focus on distribution. However it has been used to access (E&P) assets in Myanmar and is part of the South East Asia gas pipeline company. This firm is currently working to monetise gas produced from India's Myanmar assets. It is also an equity partner in the three retail gas companies in Egypt, involved in the compressed natural gas business in China through equity holdings as well as the parent company of GAIL global (Singapore) which is another special-purpose vehicle that the Indian state uses for overseas asset acquisition. This has currently opened an office in Egypt to pursue opportunities in the Middle East and Africa through strategic investments and (E&P) contracts, (Singh 2010:24).
- 5) **Gujarat State petroleum Corporation (GSPC)** is another firm that has acquired overseas exploration and production (E&P) assets
- 6) **Bharat Petro resources Ltd (BPRL)** has acquired assets in Brazil, Mozambique and Indonesia.

For a better understanding of the resource seeking institutional structure of the Indian state, please see figure 13.

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Figure 10: Institutional structure of energy administration in India based on (Ahn and Graczyk 2012)

4.2.3 Liberalising the energy sector

Although the energy sector is a highly regulated one, attempts have been made at liberalising the energy industry. The Indian state's new economic policy that was introduced in 1991 was a first step towards deregulation within the energy sector. The policy called for the abolishment of the industrial licensing system for all industries except for a few in the restricted list. However, the liberalization process of the energy sector was set in motion by the new exploration licensing policy (NELP) in 1999 (Ahn and Graczyk, 2012:59). This policy allowed 100% foreign and private participation in the development of hydrocarbon resources within the India and also forced state public sector undertakings (PSU) to compete with private as well as foreign firms, (Ahn and Graczyk, 2012:59).

The next major step towards deregulation was the India hydrocarbon vision (IHV) document introduced in 2001, (Ahn and Graczyk, 2012:59) which introduced concepts of enhancing energy security, promoting a free market competition but within a state regulated environment. The IHV strategic policy is considered to have laid some features of India's attempt to create a holistic energy security policy. Some of the features of the policy are:

- (i) Allowing the operational autonomy of the public sector undertakings (PSU) involved in the energy sector
- (ii) Allowing global competition to the sector
- (iii) Better utilisation of domestic hydrocarbon resources

Having explored the nature of the energy sector in the Indian state, the next section will be looking at the specific institutional approach of the Indian resource seeking state. This is based on primary evidence from the semi-structured interviews held in India in 2012 and 2013.

4.3 The institution based approach towards resource seeking by the state

This section will now address Introduces the institutional context for India's new energy seeking and the Institutional approach of the state.

4.3.1 Emergence of the new institutional context for resource seeking

Almost all of the 14 respondents interviewed in the Indian context confirmed that there was a new institutional context in the Indian state seeking energy resources. Although, most of the respondents agreed, there are voids within the nature of the institutional approach on energy acquisition, the Indian state is now awakening to a realisation that energy security is very strategic to the future growth of India. The Ministry of petroleum and natural gas in a confidential report had indicated that energy resources that concentrated overseas need to be treated as '*strategic national assets because they have a direct bearing on economic and strategic significance*', (Ministry of Petroleum and Natural Gas 2010:125). Interviewee, (IND7) said the various stakeholders in the Indian state when now more conscious of the need for India to have an aggressive energy security policy. According to this interviewee, some of the recent developments in Indian policy suggest this approach. Amongst them are:

- (i) The creation of a specialised energy security cell within the Ministry of external affairs (MEA), that is staffed with career diplomats who have expertise in specific and strategic markets that India would like to access oil resources from as well as defence and industry experts in the field of energy asset acquisition.

- (ii) The inclusion of the private sector in India through both the Confederation of Indian industry (CII)'s energy division that have been holding seminars and conferences in India's energy security.
- (iii) The understanding within policy mandarins that the Indian state had lost to China in many markets due to institutional inertia and a lack of coordination amongst institutions of the state.
- (iv) The new reality of geo-strategy within Asia, with China on one side acting aggressively in both the Indian Ocean as well as the South China Sea is forcing India to abandon its traditional non-aligned approach and move to aggressively engaging with its immediate neighbourhood particularly in the Indian Ocean.
- (v) Indian foreign policy and its execution by the Foreign Service are of prime importance particularly in creating a diplomatic corps that can aggressively seek energy assets.
- (vi) A more pressing need to develop strategic crude reserves for India so that it manage possible disruptions effectively as well as accumulate crude during market downturn.

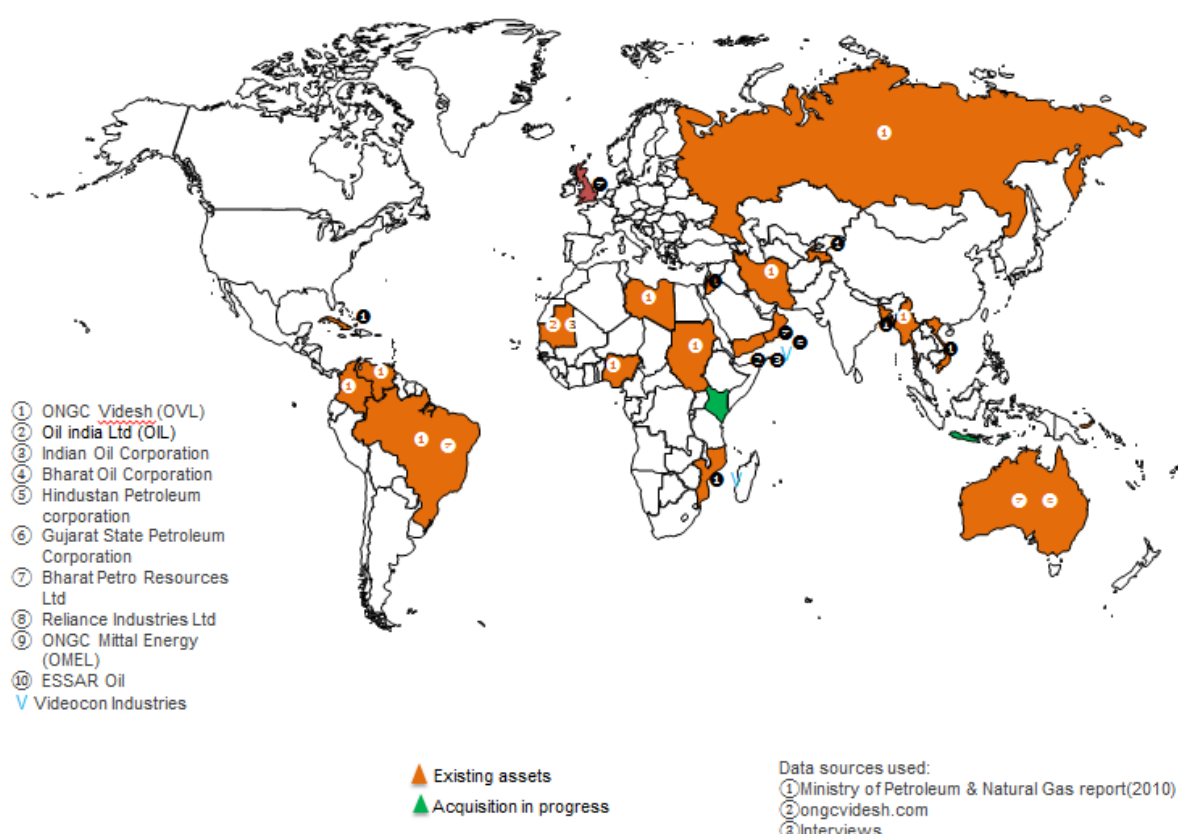


Figure 11 : Author Analysis of existing state owned Oil Assets

The government of India has continuously encouraged Indian oil public sector undertaking (PSU) to actively pursue exploration and production opportunities in both India and abroad.

Currently the Indian state has oil and gas assets in twenty-five countries. In spite of having a new government, the institutional context for resource seeking has not changed. The current Minister of State, Panabaka Lakshmi, in the Ministry of petroleum and natural gas in reply to a question⁸ in the Lok Sabha stressed that Indian oil companies have been encouraged to adopt a global vision in pursuit of raw materials and from materials producing assets abroad and also to '*vigorously pursue acquisition oil and gas assets overseas*,' (Parliament of India Library 2014). The causal ambiguity of the global energy market could be one reason why the Indian state is assuming that access to ownership rights in oil and gas assets will be determined not only by '*commercial factors but by a host of other strategic factors since access is also limited and discretionary*', (Ministry of Petroleum and Natural Gas 2010:125).

4.3.1.1 Shifts in Global power structures

Another key aspect of the state's new institutional approach is due to the shifting balance of power across the world. A respondent in Kenya, KE5 suggested that due to the Western governments focus on the human right conditions, corruption and the imposition of structural adjustment programmes from the World Bank, many emerging markets like Kenya are moving towards rising powers like India and China. Emerging economies like India still made support from advanced economies to run's economic affairs but are no longer content to listen to advise on governance. This gap has been exploited by rising powers and is been accepted to some extent by the political leadership in states like Kenya, (KE5). This perspective was confirmed during the interview with interviewee, IND2, who indicated that a major component of India's energy security strategy was based on:

- (i) Seeking self-reliance for future energy needs
- (ii) Seeking energy independence from the Middle East which supplies over 75% of India's historical energy needs

The possibility that the Indian state could now exert its own form of power into an emerging market like India due to the shift from Western states is being perceived as a key strength of the Indian state, (IND6). In the specific case of Kenya, KE5 indicated that there was a dramatic shift to eastern powers like China and India following the shifting of the powerbase in 2002. This was a reflection of the global realignment of geopolitical positions in which India's economic story is been keenly watched by many African states as the perceived that India had followed the developmental path that was similar to what many of the African states are pursuing. The government of Kenya started buying industrial technology from

⁸ In response to Shankar Alias Kushal Tiwari Shri Bhisma's question in the Lok Sabha on 21.02.2014

India and China and also shifted military hardware supplies. Today almost 90% of the military hardware in Kenya is from China and India and most of the productive sector machinery is from India, conforming that there is a global shift towards eastern powers. However the danger of this shift according to interviewee, KE5 was that it has created competition among the eastern powers of India, China, Japan and South Korea for the ability to intervene economically as well as politically in the African state. Given that most of Kenya's politics is dependent on tribes and the sub- sect of political and economic actors, KE5 had fear that they could be a new scramble for resources in Africa from the eastern states.

In terms of the specific context of India's involvement, KE5 had indicated that Kenyan foreign policy is playing up to both India and China. It is perceived to be the partner that can be used for technology and the developing of Kenya's agriculture base. Whereas China is seen as a partner for the military and infrastructure sector in South Korea is being pursued by Kenya to be more active within the high-technology field and heavy industrialisation of industries. The possibility of becoming more of an active player in International politics is thus a driver of its institutional approach.

4.3.1.2 Integrating Institutional approach with state foreign policy

Following on from the argument above, the state has integrated, institutional approach over the years into India's domestic and foreign policy strategies (IND2) but this was more prominent in recent years due to the political instability of the Middle East region as well as the discovery of new reserves in Latin America and Africa. Energy security has become a critical component of all bilateral pacts made by the Ministry of external affairs (MEA) according to IND2. In addition to these developments, the Indian state was also becoming conscious of its obligation to ensure maritime security of the Indian Ocean as well as to maintain essential and strategic reserves to feed its economy. Given that in times of instability, the state cannot depend on markets to meet demands, there is a new understanding that in multi-pronged approach has to be taken including ownership of assets wherever they are located, securing this assets as well as securing the supply chain through which this assets are transferred into India, (IND2).

Securing India's energy need is of prime importance to the new Prime Minister, Narendra Modi according to Hiscock (2015), who sees India competing and collaborating with China, the United States and Russia, the three other large energy consumers in the world. What separates India from these three other countries is the fact that it is perceived to be slow to

secure any long-term energy commitments. Hiscock (2015) defines the urgency of a new institutional context as one that will require the deployment of multiple approaches.

Although many interviews have confirmed that the Indian state is engaging resource seeking, there is limited evidence of the Indian state engaging and resource nationalism. Interviewee, KE5 confirmed that within Kenya, resource nationalism is driven along ethnic lines and has been compared to what is happening Nigeria, (KE5) where Western international oil companies had played tribes against each other for years. Unlike China which is perceived to be motivated by resource nationalism the Indian state was driven by economic interests rather than national interest in its interactions with the Kenyan state.

4.3.2 The formal structures of the Institutional-based approach

In order to understand if there was an institutional-based approach, the researcher posed this question to very senior member of the Indian government. In the interview with interviewee (IND1), he admitted that there is a new institutional focus on resource seeking within the Indian state due to an increased demand for energy resources as well as new dimensions of competition within energy markets.

Interviewee (IND1) also stated that there was a formal institutional structure that addressed the state's mechanism for addressing future requirements of energy assets. Some aspects of this focused on securing energy assets overseas, while others concentrated on changing the energy mix of India's consumption as well as focusing on technology to increase domestic production. In addition to these aspects, there was a bid to gain political consensus for more nuclear power generation to meet the industrial needs of the growing economy. However, interviewee, IND1 indicated that it was impossible at that time (August 2013) to gain political consensus for the nuclear power focus due to the nature of a coalition government. However, he was confident that his party would gain majority in the next elections and push this through.

4.3.2.1 Formal aspects of the state's energy resource acquisition policy

India's resource acquisition policy was launched in the 1990s to reduce dependence on oil imports (Dadwal and Sinha 2005:521) and was formalised with the creation of the India hydrocarbon vision 2025 report in 1999, (Ministry of Petroleum and Natural Gas 1999). The hydrocarbon vision 2025 policy document initiated new perspectives on energy needs but

interviewee (IND11) had indicated that '*there is no single policy that outlines a total holistic view of India's energy needs*'. The political fluidity of India's democracy with its reliance on regional political parties and a constantly shifting alliance is another factor that interviewee, (IND11) identified as preventing a institutional and national holistic vision of seeking energy resources. In 2013, when the researcher conducted interviews in New Delhi, one of the contemporary issues in India was the signing of a nuclear deal with the United States. This was a subject of numerous political debates in both Parliaments as well as within the Indian media due to the pressures on the government from regional parties. According to interviewee, IND11, most of the institutional approach happens within a policy vacuum due to the nature of the coalition politics.

During the course of this study, the researcher interviewed the bureaucrats (IND6 & IND6) involved in estimating India's local energy demand. IND5 during the course of the interview indicated that state control of India's energy assets acquisition would still continue for quite some time even though private companies were being used in some strategic markets. His argument was that refining and distribution is still dominantly controlled by state owned infrastructure and refining companies and hence private firms were still dependent on the state's mandate to operate. However, interviewee, IND5 provided the researcher with a formal document stating the position of the state's policy of acquiring energy assets abroad. According to this official position of the Indian state, the per capita consumption of energy in India is one of the lowest in the world at 439 kg of oil equivalent (KGOE) and its energy use efficiency for generating GDP in purchasing power parity (PPP) terms is higher than China, the US and Germany (Ministry of Petroleum and Natural Gas 2010:109). This will impact how the state will respond to the implementation of a resource-based approach. Some key aspects of the energy market that will impact on India's policy based on government projections from Ministry of Petroleum and Natural Gas (2010:109-113) are as follows:

- (i) Total global reserves are around 3 trillion barrels of crude oil, but only about 24% has been produced and an additional 29% has been discovered as labelled as proven reserves. The vast amount of global reserves are still undiscovered in over 279 locations globally. Deploying any form of the state's resource-based approach will ultimately depend on knowing the exact location of the energy resource being sought.
- (ii) The main concentration of proven crude reserves lies in the Middle East region followed by South and Central America regions. Major areas that contain large volumes of undiscovered conventional oil include the Middle East, Western Siberia, the Caspian region, Niger and Congo Delta.

- (iii) About half of the undiscovered crude oil potential lies offshore in areas like East African margin, including possible reserves in Kenya.
- (iv) Several African states such as Uganda, Mozambique and Madagascar are being explored for new reserves. Large unexplored areas in Africa are expected to hold a huge potential of hydrocarbon prospects that may change the dynamics of the global energy industry.

4.3.2.2 Long-term acquisition policy of energy resources

In the interview with IND8, she contrasted India and China's resource acquisition policy in terms of its time frame. China was perceived to have short-term acquisition goals which when coupled to its ability to manoeuvre its institutional framework had made a successful in acquiring assets in both Africa and Latin America. In contrast, IND8 stated that India wanted a long-term futuristic acquisition policy in which several factors had to be taken into account.

Some of these are:

1. India's long term democratic credentials and state legitimacy
2. The perception of India's role within global international relations scenarios
3. Aligning its national objectives with this traditional non-aligned route
4. The domestic pressures of the coalition government and its effect on long-term policy

When the researcher brought up the topic of Africa and India's institutional activity in the region, IND8 did not seem to think that India could make much headway in Africa due to the above policy. The debacle in Sudan, where both India and China had energy assets and were prepared to invest into more energy assets before the war began was the example that IND8 indicated. When both the South and the North parts of the country were preparing for independence, in this national oil company ONGC asked for Cabinet clearance on how to proceed with its existing oil reserves in the south of Sudan. According to IND8, ONGC waited *'for ages for any form of clearance while the Chinese state had already started negotiations with the government of both south and north Sudan even before independence'* and in the process acquired a head start for its national oil companies.

4.3.2.3 Causal ambiguity in the Institutional context and the politics of the 'state'

Interviewee, IND11, indicated that the bulk of the institutional strategy in India was based on personal interests of key actors like the ministers and senior bureaucrats in a particular ministry. IND11 illustrated this with an example of a headstrong independent oil ministers in Mr. Mani Shankar Aiyar (a former career diplomat before he turned into politics). He was

considered to be a reformer as well as an aggressive proponent of an active energy seeking strategy. During the minister's tenure, India was more willing to play a political game and intervene in bids that involved collaborating with China as well as to engage with China as a competitor for resources in many markets. Most of his strategy was based on the understanding that China was a much bigger player in the acquisition game and India could lose out on a market based approach, if it were to compete with China. The Indian state had experience of competing with China and artificially increasing the price of the energy asset that is been sought. Thus according to IND11, it made sense for India to collaborate with China. However, many of the decisions made by this minister while in office went into limbo once he was out of office, (IND11).

The nature of India's political landscape on its energy policy was also confirmed by another interviewee, (IND9) a former expert of the Ministry of external affairs as well as energy advisor to the private sector in India. According to interviewee, IND9, in recent times there were clear elements that India was seeking an active institutional support in coordinating different elements of its institutions. Some of the measures suggested this are:

- (i) A proposal to set up a sovereign wealth fund with an initial seed capital of \$1bn to fund new energy initiatives, which IND9 considered to be insignificant for India's requirement. This proposal has been on the backburner due to the fact that bureaucrats in the oil companies as well as ministers have not been able to agree a way forward to manage the sovereign wealth fund.
- (ii) A proactive approach to managing the security of India's energy supplies chain.

The institutional context thus can be perceived to be one that lacks a proper coherence and clarity due to a lack of strategic leadership from the political actors. According to interviewee, IND9, *'India's institutional support was different from the other competing state (China)'* in that:

- (i) An inherent lack of political willpower to create a uniform national interest energy policy
- (ii) A rule that India's energy acquisition should not include any unethical negotiations with energy producers so that it doesn't undermine the state's legitimacy.
- (iii) The state monopolises decision-making, even for private companies. State owned public sector undertakings (PSU) have no autonomy in decision-making and no operational freedom to make choices
- (iv) The bureaucracy tasked with managing the energy acquisition strategy did not want to be 'risk takers' as they are unsure of any political support.

The perceived lack of clarity in understanding the institutional context for resource seeking is further compounded by the fact that India's energy needs are handled in the government by five independent Ministries according to interviewee (IND11). These are:

- 1) Petroleum and Natural Gas
- 2) Power
- 3) Coal (as a part of Mines and Minerals)
- 4) Nuclear energy (as a part of Atomic Energy)
- 5) Non-conventional Energy⁹.

In addition to the control exerted by the five independent ministries involved in energy security, the departmentally related standing committee on energy is responsible for the overall remit of these five ministries and all other institutions involved in the energy sector. The primary remit of the committee is to consider national long-term policy documents that have been presented in Parliament and make recommendations. The standing committee on energy consist of 31 members of Parliament¹⁰ (21 from the Lok Sabha and 10 from the Rajya Sabha). This researcher was fortunate to have access to the committee as well as some of its reports and press clippings of India's resource seeking from the LARDIS database.

The state control of energy acquisition strategy was the key issue that India was still trying to catch up with other competitive states according to interviewee, IND8. Although the primary task of seeking oil assets and resources overseas is down to state owned companies or the national oil company of India, ONGC and its various joint ventures with private firms, ONGC has to refer every acquisition proposal to the Cabinet subcommittee on energy. IND8 was of the opinion that one of the reasons why India is not been successful in acquiring assets in Africa, a historically close region, is due to this so-called multiple layers of control that is strangling the autonomy of its oil companies.

4.3.3 Creating Institutional strategic choices

⁹ As on 26 March 2015, the ministry was changed to being the Ministry of new and renewable energy.

¹⁰ The committee's public access can be viewed on http://164.100.47.134/committee/committee_informations.aspx

In the preceding paragraphs of this chapter, the study has already stated that the Indian state is seeking to diversify the acquisition of energy resources from the traditional central Asian and West Asian suppliers. The National oil companies have a clear institutional mandate and support from the Ministry of petroleum and natural gas according to interviewee IND11 to look for new resources outside of these markets. There is also a clear strategy or plan for public sector undertakings (PSU) to invest abroad in clearly defined markets with clearly defined investment, the nature of the bids that can be made as well as the nature of institutional support that can be expected in these markets.

4.3.3.1 The use of 'strategic intent' in creating markets for resource seeking activities

Although for the most part, the literature on the energy seeking by the Indian state is replete with instances of market-driven approaches, the use of a strategic intent at the institutional level is becoming more evident. This has been explained in chapter 2 of the study. This section aims to showcase how the Indian state is using specific cases of strategic intent in its energy security policy. Evidence of a new strategic intent comes from the fact that the resource-based approach in Africa as well as exploratory activities in the South China Sea is been led by the state instead of the firm according to IND11. In addition interviewee, IND9 had confirmed that the energy security division of the Ministry of external affairs, (MEA) was set up to support firms that were engaged in energy resource seeking in this markets. This division was to provide sustained intervention with the governments of resource rich states, follow-up with key contacts in the government to support both private and state owned firms as well as to provide information to India's firms about the political and business environment of these resource rich states.

Within the Kenyan context, interviewee KE6 indicated that many academics like him had perceived that there is a very recent aggressive behaviour that is been exhibited by Indian companies in Africa. As an example there are a large number of infrastructure as well as resource extraction projects that have been awarded to the Tata group. The Tata group has been a very recent entrant to the field which has been dominated mostly by state owned enterprises as well as established western oil companies, an example of the state's new strategic intent. Interviewee, KE8 had also indicated that there has been a steep change in India's economic engagement in Africa. He had used the example of Mozambique, where owned two of state Indian oil companies had spent close to \$4 billion to acquire a 20% stake in an oil field. Given his industry experience as an oil trader and geopolitical analyst, KE8 considers this move by the state to be particularly strategic and are stepping up of the activities of the Indian state.

Having addressed how the state is creating strategic markets, the next task is to look at specific acquisition strategies that have been used by the state.

4.3.3.2 New strategic markets of the Indian State

The Indian state, along with China according to Dadwal and Sinha (2005:523) have been suggested to pursue energy strategic assets by offering higher prices or a willingness to accept a lower rate of return than Western oil firms. This has also been extended to engaging with states that are subject to economic sanctions. For example, since the signing of the comprehensive peace agreement (CPA) in the Sudan has been subject to US economic sanctions. However, trade between Indian state and South Sudan, has increased threefold to over \$900mn, (Large and Patey 2010:8) and is largely due to the interest of India's National oil champions in Sudan. Large and Patey (2010:7) have also indicated the highest levels of the Indian government are now interested within the energy sector. As an example, these authors quote the example of the president of India, APJ Abdul Kalam, visiting Sudan in October 2003 to sign a bilateral agreement investment that was based on protecting and managing India's oil assets.

Although as indicated earlier in this chapter, the strategy keeps on changing according to the priorities of the political party in power as well as the minister in charge, (IND11). IND11 had claimed that there are no clearly defined objectives, or guidelines that are agreed upon for firms to operate in. Every acquisition bid or approach that is made is dealt on an individual case-to-case basis and is more of an action led by the individual minister in charge or left to the bureaucrat in charge. When interviewee IND 1 and IND 2 were asked where the Indian state was looking for new energy resources to replace the dependence on Middle East, both interviewees as well as (IND9) suggested the following regions.

1. Latin America due to its new discoveries as well as potential new discoveries
2. The African continent due to its geographical proximity as well as historical closeness

Some of the key institutional initiatives in these regions that lend support to their statement are addressed below. The Latin American context is addressed briefly as this study has concentrated on the African context, specifically as a series of interviews were held in Kenya to explore the Indian state's activity in the region.

(i) Latin America as a strategic market

According to both, IND9 and IND11, the state in recent times has started to advise firms about where it would like its energy resources to come from. For example the new focus is on Latin America where diplomatic initiatives have already started and key companies like Reliance industries have already sent teams to start techno-commercial negotiations along with representatives of the diplomatic corps. This is also confirmed by Bhojwani (2014:39) who had indicated that the Latin American and Caribbean region (LAC) was identified to be a key region for India's energy security drive due to the presence of potential reserves. For example, Venezuela alone has higher proven reserves of oil resource than Saudi Arabia and there are fresh discoveries in Colombia and Brazil as well. In 2012, according to Bhojwani (2014:42), India imported over 10% of its crude oil requirement from Venezuela. These countries also provide access to other energy resources like coal and uranium, (Bhojwani 2014:40). The main conduit into this countries seem to be Reliance industries and Essar group who have refining capacity on the west coast of India which has started receiving Latin American crude oil as well as natural gas from Trinidad and Tobago. In addition, ONGC Videsh has obtained permission to drill exploratory wells in the offshore waters of Cuba and is expected to sign a partnership agreement once the potential of these oil assets is estimated, (Bhojwani 2014:40). This study had concentrated on the resource-based approach of the state in the African context and this is now addressed in the next section.

4.3.4 The African continent as a strategic market

The importance of the African continent and the renewed focus on the East African part of Africa has been visible in the engagement of the Indian state in recent times. The Chief Executive of the world oil and gas assembly, Narendra Taneja had been quoted in Pradhan (2012:286) stating that *'Today's growth story is India and in 15 to 20 years, the growth story will be Africa. India wants to be in Africa as a strong partner'*. IND1 had indicated that India has not been active in Africa even though it has acquired assets in West Africa. However, the interviewee indicated that there was a renewed focus on East Africa due to historical connection and the influence of the diaspora within the economic sector of several states .In addition the Indian state feels that governments in East Africa are becoming more transparent and be willing to do arm's-length business with Indian firms .The Indian state according to IND 1 will be initially using national oil companies like OVL as well as the Gas authority of India Ltd (GAIL) to look for productive assets .Several Indian companies have already been engaging with East Africa for export markets as well as to provide new segments for the products and services. As an example, IND 1 quoted one of India's largest

telecom providers, BHARTI Telecom to be a clear example of the success that Indian firms have enjoyed in recent years. BHARTI Telecom is currently one of Africa's biggest telecom service providers. But in spite of Africa's potential, the state has been slow in engaging with it due to the perceived inability of the state to compete with China in resource seeking on commercial terms as well as the political issue of trying to engage with states and regimes in the region, (IND1).

Some of the resource-seeking activities of the Indian state are discussed in some key African markets from (Pradhan 2012:287) are:

- (i) **Nigeria-** ONGC and the Mittal group announced in 2005 an investment of \$6 Billion as indicated in chapter 4. Another private firm, the Essar group is reported have procured exploration and production blocks in Nigeria too. The Gas authority of India Ltd (GAIL) is also looking to invest in a liquefied natural gas plant in Nigeria.
- (ii) **Egypt** - The Gas authority of India Ltd (GAIL) is reported to have entered into a joint venture with the Egyptian natural gas (NATGAS) to distribute gas in Egypt.
- (iii) **Mozambique-** Reliance industries and the Essar group has sought official government permission to bid for new exploration and production blocks.
- (iv) **Sudan** - ONGC Videsh (OVL) is person into blocks and was expected to invest \$200 million in a 741 km pipeline that would link Port Sudan with the capital, Khartoum.
- (v) **Mauritius** - In March 2006, India signed an MoU with Mauritius for the exploration of its offshore waters
- (vi) **South Africa-** India's negotiating to set up a compressed natural gas network in the country.
- (vii) **Kenya** - ONGC Videsh(OVL) has been reported to be in talks to take over the assets of Tullow Oil Plc in Kenya,(Verma 2014). By taking over the company, the Indian state through OVL will also have access to Tullow Jubilee oil field in the offshore waters of Ghana according to Verma (2014).

4.3.4.1 The renewed interest in Africa

In his interview, IND 9 suggested in spite of is historical closeness to the continent as well as geographical proximity the Indian state has not deployed any of its diplomatic assets or its soft power purely because of the lack of institutional willpower in engaging with the African continent. However in a study by Pradhan (2012:285-286), the potential of the continent to India's energy security has been defined as follows:

- (i) Africa's estimated oil reserves are small in comparison to the Middle East but the crude from the Gulf of Guinea is lighter and lower in sulphur content that makes it easier and cheaper to refine than the traditional Middle Eastern supply.
- (ii) The African energy reserves can be a hedge to potential instability in the Middle East as well as in Russia (India's Sakhalin-1 oilfield is a mature asset).
- (iii) Most of Africa's energy resource and located offshore and will reduce both transport costs for the Indian state as well as reduce security implications.
- (iv) The existing sea-lanes can be used for quick and cost-effective delivery and India will not have to depend on costly pipelines through politically unpredictable terrain, (the Turkmenistan-Afghanistan –Pakistan-India (TAPI) pipeline is an example).

The African reserves have future potential as it has over 9.5% of global crude resources and currently produce 12.2% of global production, (Figure 14). In addition, new finds in Uganda, Egypt, Cameroon, Mauritania, Kenya and Sao Tome have the potential to increase potential global reserves. In 2011 India imported over 21% of its total oil and gas imports from 8 African countries, with India's national oil company OVL, planning to invest \$12 billion with its stronger focus on the African reserves, (Pradhan 2012:286). In addition a joint-venture with ONGC and the Mittal group had announced \$6 billion investment in Nigeria to set up a refinery, power plant and railway infrastructure, (Pradhan 2012:286). Interviewee, KE3 had indicated to this researcher that the Indian government was interested in bidding for 8 new oil discoveries in the Turkana region of Kenya.

4.3.4.2 The closeness of Africa to India and its potential as a strategic market

In the paragraph above, the study has already indicated that one of the key reasons why there was a renewed interest in Africa as a market was due to the energy resource that are available in offshore waters. The Kenyan Ministry of foreign affairs and International trade during the researcher's interview with them also confirmed that one of the reasons why India is seeking to be closer with Africa lies in its geographical proximity. The African continent according to KE10 provides India with a wealth of opportunities that is just about 2000 miles away, in an ocean that the Indian state has dominated over the centuries. Most of the African states the ball of the Indian Ocean, like South Africa, Mozambique and Tanzania have historically attracted Indian investment and trade partnerships according to KE12. In addition, India has been working to nurture relations with other oil producing states including Nigeria, Ghana, Equatorial Guinea and Cote d'Ivoire. The ministry also suggested that recent development by Indian government activities including the signing of framework agreements with various countries have been to secure resources. As an example in 2011, India signed a uranium agreement with Namibia as a protocol and has also used state

owned companies like ONGC Videsh, private owned firms like the Tata group and Vedanta resources to buy stakes in key resource assets. The potential of Africa as an alternative to dependence on the Middle East was also been pursued by the Indian government through special government-to-government supply contracts as well as through special lifting quotas of oil resources, (KE13).

4.3.5 The Resource Acquisition strategies of the Indian state

In the interview with, IND9, the researcher was informed that the Indian state does not have a specific overseas energy policy in line with the comments made by IND11. Instead what it has are specific strategies that could be called energy acquisition strategies. This is based partly on the integrated energy policy that was adopted by the government in 2008 and partly on the specific nature of every resource acquisition. Some of the strategies and resource deployment are discussed next.

I. Energy diplomacy as an intangible resource

In the interview with IND9, the role of energy diplomacy as a tool of the integrated energy policy was suggested. The interviewee indicated that India's desire to forge a diplomatic relationship with supplier countries is the new reality in its bid to differentiate its resource seeking approach. By using the promotion of bilateral relationship through trade and commerce along with targeted foreign aid and soft loans to the resource country, the Indian state expects to receive long-term contracts with oil-rich countries so that the strategy can ensure a continuous supply of energy resources. IND9 was commissioned by the Indian state to study a comparative analysis of India and China's policy on energy asset acquisition and he had suggested that to improve the Indian state position as a resource seeker is to differentiate the state on the basis of being a legitimate rising power. Energy diplomacy is to be combined with concessional lines of credit and technical assistance in sectors where India has capability.

II. Use of state owned and national champions

This chapter has already addressed the regulatory role of the state in the industry, in an earlier section. In this context, state owned oil firms are largely seen as the key drivers of the Indian state's resource seeking strategy. The importance of public sector undertaking (PSU) in the state's energy security was defined as a matter of national pride, (Ministry of Petroleum and Natural Gas 1999:2). Other interviewees (IND1, IND2, and IND6& IND11) also indicated that the bulk of the state's institutional support went to government owned oil companies like the Oil and natural gas commission (ONGC) and its overseas arm, ONGC Videsh Ltd (OVL). In addition, a few private sector players received support to represent the state in strategic parts of the world where either the state firms could not operate due to institutional constraints or simply did not have access to these markets. For example, Reliance industries Ltd was encouraged to acquire assets in Yemen, Kurdistan autonomous region of Iraq, East Timor as well as the majority stake in an East African oil retail distribution company called Gulf Africa petroleum Corporation, (Ministry of Petroleum and Natural Gas,

(2010:123). These 'National champions' within the oil industry were encouraged to explore opportunities abroad as well as protected against international competition by the use of fiscal and tax benefits (Ministry of Petroleum and Natural Gas 1999:3) as well as political support for their other business operations according to interviewee (IND12). The use of incentives and special institutional support for firms that support the state's energy security strategy have been recorded in secondary literature. For example, ONGC Videsh (OVL) was supported with a \$200 million deal to build a railway in Angola (Dadwal and Sinha 2005:522) and the export-import (EXIM) bank of India stated to have provided almost \$625 million to foster Indian investment in the Sudan, (Large and Patey 2010:12). The researcher had interviewed KE3 in Kenya and was informed that the ESSAR group had a joint venture with Kenyan government to operate the Kenya Petroleum Refineries Ltd (KPRL), Mombasa refinery. During the initial talks where KE3 was present, representatives of the Ministry of trade were present along with company officials to discuss the joint venture indicating that they were supported by the Indian state. However, the firm pulled out at a crucial position as the government was seeking to increase local refining on the basis, that it could not generate revenue from the refinery. KE3 indicated that this created a very negative atmosphere between the Kenyan government and the Indian government and at that time (2013), Kenya was contemplating legal measures to seek compensation.

III. The role of private firms in India's resource seeking

The liberalisation of the energy sector in India as discussed above has increased the private sector participation. Some of the important private players are according to Ahn and Graczyk (2012:60) and Ministry of Petroleum and Natural Gas (2010:116) are:

1. **Petronet LNG Ltd**- A firm with 50% of the stake owned by other state-owned PSUs and the rest 50% held by private shareholders including the Asian development bank, (ADB).
2. **Cairn India Ltd**- one of the first private companies that produces about 20% of India's domestic crude.
3. **Reliance industries Ltd (RIL)** - a prominent player in the upstream and refining sector. RIL owns the largest integrated refining plant in the world as well as equity stakes in nine assets spread out over five different countries (Ministry of Petroleum and Natural Gas, 2010:122).
4. **Essar Oil**, the second largest private refinery.
5. **Mittal energy Ltd** which operates a joint venture with the Hindustan petroleum Corporation Ltd (HPCL) as well as with OVL in sub-Saharan Africa, known as ONGC Mittal energy Ltd (OMEL).

6. **Videocon industries Ltd .**
7. **Adani Welspun exploration Ltd**, a firm that has acquired concessions in oil and gas blocks in Thailand and Egypt.

Other firms that have been reported to be involved in the state's resource from the interviewees are:

8. **Mohan Energy** - In the interview with IND9, this company was reported to have been used by the state to acquire assets on several occasions, in the risk prone states of Africa where the state was unable to intervene directly.
9. **Sterling global resources**

IV. Criticism of the use of private firms: Crony capitalism and corruption

Many of the private firms have been accused of corruption and kickbacks. In fact, Reliance industries have long been accused of being an extension of the state's involvement in both domestic and international energy sectors. When the researcher spoke to IND11, he said that the perception within state stakeholders as well as the general public was that India's energy security policy was being dictated to by Reliance industries and not the other way round. It is one company that even outside stakeholders like interviewee, OT1 feels is guilty of crony capitalism. The next major private player is the Mittal group led by Lakshmi Mittal, who has been extensively used by government actors to facilitate entry into key markets. IND11 was of the opinion that India needs Mittal more than Mittal needs India. His companies have formed joint ventures with ONGC Videsh to enter markets like Nigeria sub-Saharan Africa.

The involvement of the private firms India's resource based approach has been long contentious due to the purely commercial motive of firms like Reliance or Mittal. During his interview, IND11 stated " *Are we locking up hydrocarbon assets for India's use or are we locking up assets for the profit driven motives of companies like Reliance or Mittal*". IND11 believes that unlike state owned national oil companies that are mandated to follow institutional strategy, the use of private firms particularly in the context of a diffuse institutional strategy that India possesses, has will be disastrous and has no long-term strategic importance, political priorities change. Although the stated objective of India's institutional approach should be to lock long-term sources of hydrocarbons at a cheap rate, IND11 said this was changing due to the ever-increasing involvement of the private sector

and the potential to abuse gains made by these companies for political and corrupt purposes. Interviewee, KE7 had confirmed that while the Indian state had used several private firms in Kenya to access pools of capital that were outside of state control, there was a distinct blurring of strategic national interest and the commercial interest of these firms.

V. The state's intent in using private firms to seek resources and assets

However when this researcher interviewed both IND 5 and IND6, the role of the private firms was seen by the state as augmenting the financial resources available to acquire resources. Both respondents did not want to comment on the Nexus between private firms and government as well as any form of corruption that was involved in any resource deals. Although IND5 said that the state had budgeted to deploy \$21.5 billion for overseas acquisition by state-owned PSUs in the 12th five-year plan, (2012-2017), it was not sufficient considering that competition for oil resources that India will like to acquire is intense. This is where the state wanted to co-opt private conglomerates like Reliance, Mittal and Videocon, to participate in seeking assets of national interest under state control. The Ministry of petroleum and natural gas has already accepted that private firms have made considerable progress in investing in overseas E&P projects and that they could be persuaded to invest capital provided appropriate returns could be offered, (IND5 & IND6). One of the ways that private firms could raise capital could be by long-term financing either through domestic equity markets all by listing appropriate international jurisdictions. For such companies, the state will offer access to its political resources in acquiring these assets as well as support the companies through special incentive packages at home.

During the course of the interview, the researcher spoke to a member of India's media on the media's perception of why private firms were used in resource seeking. Interviewee IND 12 said that the state had long used specific private firms to acquire assets and resources in several industry sectors. As an example, he indicated that the Tata group was identified in 2004 as a preferential Indian vehicle to acquire Jaguar Land Rover by key ministers and given preferential funding access through the State bank of India (SBI) and the Temasek sovereign wealth fund of Singapore. The intention of the state was to acquire the Land Rover defender platform for the Indian Armed Forces and the Tata group's was selected based on its existing assets and expertise in the United Kingdom through the acquisition of CORUS and Tetley. The exact process of how the Tata group acquired Jaguar Land Rover using state support has been addressed on this researcher's personal blog¹¹ and is currently

¹¹ National Champions and the rise of new protectionism from the East. Available on <http://sureshgeorge.blogspot.co.uk/2013/05/national-champions-and-rise-of-new.html>

being written up as research article. IND12 was of the opinion that the Indian state used private firms to acquire resources when the state could not directly enter markets to strategic reasons. Some of the private firms that have been identified above are the so-called 'national champions' had long been integrated into the Indian states institutional framework, according to IND12. The Tata group as an example setup India's national airline as TATA airways and then turned it over to the state making a sizeable return on investment. Similarly, exploration of India's largest domestic crude oil reserve, the Krishna Godavari (KG) basin was handed over to Reliance Industries through a bidding process in which the minister in charge already decided the outcome in their vision. Although at the time of interview, IND12 indicated that Reliance Industries was being pursued by allegations of kickbacks given by the company to government ministers. IND12 has suggested that this was due to the change in ministers and the incumbent's personal vendetta against this private firm. The Indian state is using UK-based Lakshmi Mittal as its key to entering many of the African markets due to his existing relationship with several heads of state there,(IND12). In return, the Mittal group acquires assets for India as a joint-venture with ONGC Videsh and later turns it over to the state once the acquisition is complete thereby protecting the state from any allegations of irregular dealings with governments that it may not want to be associated with international for a. IND12 indicated that this process of using several private individuals to acquire potential interest in strategic markets was also the case of using another private firm like Videocon Industries and Indo-Rama Group in South East Asia.

This was also confirmed to the researcher by another media respondent, (IND13) who indicated that reliance industries had extensive market information, based on the hiring of ex-bureaucrats from sensitive ministries like the defence ministry as well as the oil and energy ministries.

VI. Using Indian foreign policy as resource seeking capability for firms

According to interviewee, IND9, the Indian state was different from states like China in the manner in which it sought resources. As a legitimate power, India did not want to enter into unethical negotiations with producer states and in many cases this hampered its negotiations. IND9 was of the opinion that one of the main advantages India would have in the near future was the advantage of having a stronger energy diplomacy capability over other resource seeking states. However when this question was posed to interviewee, IND11, he opined that India's foreign policy was often contradictory and did not make sense. For example, in 2013 it had seemed that foreign policy was based on the perception that the

US was the most important power and India's immediate neighbourhood faced the threat of Chinese aggression. This of course was not true, according to IND11 but was sold to the general public due to the political nature of how the state wanted to pursue relationship with the US. The researcher was asked during the course of this interview by IND11' *'should India be used to contain China and support the US?' 'Will this gave the Indian state a chance to position itself better in Asia when it has not done that for the last 66 years?'*

When a member of India's Foreign Service (IND10) was asked about how the foreign service supported India's resource based approach, the following insights where indicated:

- (i) The Indian government seeks to be fair and transparent in all its dealings with economic partners.
- (ii) Most of foreign policy is driven around non-aligned and legitimate form of economic transactions
- (iii) The Indian foreign service seeks organic growth with mutual respect and cooperation

India's foreign policy transitions has been defined by Mukherjee and Malone (2011:87) as

- (i) 1947 -1960 as a transition from idealism under Nehru
- (ii) 1960 -1980 as a period of hard realism under Indira Gandhi
- (iii) An economically driven pragmatic foreign policy of today

This has also been supported by Malone (2011) who while supporting the three stages of the development of the Indian foreign policy above, had addressed the failing of the foreign policy as follows:

- (i) The foreign service of India has not successfully sold the capability of the historic narrative of the Indian state starting from its historic plural nature that had accommodated almost all of the world's religions peacefully.
- (ii) The 'idealism' within India's foreign policy that ended with the death of its first prime minister, Nehru and a shift towards the 'hard realism' following the border war with China in 1962, has not translated into any political or resource building capability for the Indian state.
- (iii) Domestic politics in the Indian state has affected the deployment of its foreign capability, due to the multi-party coalition system that has been in play till 2014 and its dominance of the political debate within the Indian state.

One of the weaknesses of the Indian Foreign Service in resource diplomacy, according to interviewee, (IND7), has been the very small number of the diplomatic corps as well as a

lack of native language speakers. Traditionally India's Foreign Service has been anglo-philic the large number of personnel learning perhaps French, Arabic, Russian or one of the other classical languages. IND7 also indicated that the Indian government has realised that it needs to strengthen both the size of the diplomatic corps as well as a number of diplomats that can speak more native languages.

In the context of resource acquisition from the African continent, interviewee, IND7 suggested that perhaps one of the reasons why China was more successful than India in acquiring assets, was in the large number of native language experts within his diplomatic corps. As an example she quotes resource seeking in many of the Portuguese speaking states like Angola, where there are large numbers Portuguese speaking diplomats. Interviewee, IND10 confirmed this constraint as well stating that *'the Indian Foreign Service is quite small with insufficient Francophone speakers and Portuguese speakers. This sometimes hinders our progress as competing states have a larger contingent of diplomats with specialist knowledge'*

By comparing the size of the Foreign Service as well as its competences against that of India's largest competitor, China, the Indian state as the state many of the energy assets that it has lost particularly in Africa could have been due to this weakness of the service.

4.3.6 Institutional support mechanisms

The first theme that was addressed in the interviews was a role of the Indian state and the nature of its new institutional mechanism for seeking energy assets if any? The researcher attempted to address this by interviewing stakeholders within the Indian state. Interviews were held in New Delhi India on two separate occasions (in April 2012 and August, 2013). During the interview with stakeholders in the Indian state, the researcher addressed this with the following question:

What do you think of the Indian State's institutionalised support system for its national oil firms?

Most of the interviewees confirmed that the Indian state was deploying a new form of resource seeking; different from its historical approach to one that is using an economic rationale or a market-based approach. However, the exact nature of this resource seeking approach is still fragmented and lacks a holistic focus. When this researcher interviewed an energy expert and analyst, (IND11), he was of the opinion that India does not have an overall strategy of its energy needs due to the inherent inertia of the institutions that are

tasked with ensuring its energy security. The energy advisor to the Confederation of Indian industry (CII), IND9 indicated that although there were elements of state-level institutional support, it lacked a proper coherence and clarity. Some of the interviewees agreed that national interest was being pursued in some of the recent acquisition strategies. This was contradicted by interviewee, (IND9) who was of the opinion that it would need massive political willpower to incorporate national interest within India's energy policy given the existing state of its coalition politics¹². According to him, the Indian state lacked an institutional environment, which a single national consensus on any policy matter can evolve. He also reiterated the fact that many of the national oil companies and state owned enterprises or the public sector undertakings (PSU) s have no autonomy in their decision-making and no operational freedom to pursue the resource driven approach. This was also supported by another interviewee, (KE8) who indicated that although India was perceived to be stepping up its economic intervention in several markets, one of the hindrances that prevents this being effective is a lack of capital that is available for state owned firms. Another aspect is an inability of the diplomatic corps to aggressively promote trade. Unlike Western country diplomats who engage primarily in promoting trade interest of the countries, the Indian institutional approach fails to engage in multiple levels with any of the countries in Africa, (KE8).

Table 5 shows the responses received from the interviewees. The findings from interviews have indicated that the following resource seeking strategies form part of the state's institutionalised support system.

- (i) Long-term futuristic policy driven by institutional norms, values and economic considerations.
- (ii) Import dependence to be managed by changing energy mix
- (iii) Focused on several approaches including resource diplomacy, government control of both private and state firms and diversification of energy supplies.
- (iv) Economic rationale driven by projected growth and dependence on imports to feed energy requirements.
- (v) Security-based approach driven by need to secure supplies and transport systems as well as consolidating India's new role as security provider in the Indian Ocean.
- (vi) Access to new markets to be driven by projection of India as a responsible and legitimate power
- (vii) Foreign policy to be strengthened and is used as an instrument of resource acquisition

¹² At the time of submitting this thesis in 2015, the BJP party had formed a government with absolute majority in Parliament, ending coalition politics to some extent.

In recent years according to KE5, the Indian government has been supporting firms that where on its preferred list by making positive political noise to support these companies as they engage with Kenyan government. They have been visits by the ambassador to the foreign ministries particularly when senior officers of the Tata group have visited Kenya. In most of the cases, KE5 said that it was done in a very quiet manner.

The next section will address the market-based approach of the Indian State in contrast to the Institutional approach that has been addressed above.

Table 5: Interview response to the nature of India's Institutional support

Response to Question 1	Interviewee
Formal approach that is focused on securing overseas assets, searching for new assets, changing energy mix of India's consumption and new diplomatic initiatives in frontier areas to diversify energy from West Asia. A new focus on Latin America, Africa and Central Asia. Geographical distance of oil assets is also key	IND1
A new policy focused on diplomacy, changing power scenarios in Asia and engaging with new oil states. Although concentrates on state-owned firms, private sector is also being brought in.	IND7
Energy security based on institutional norms and values, creation of strategic reserves to store crude oil, setting up of a national sovereign fund for energy asset acquisition, strengthening of Navy to consolidate security of shipping lines, energy diplomacy, use of Indian diaspora worldwide, diversification of energy supplies.	IND9
Long-term futuristic acquisition policy that is rooted in India's role within global leadership, norms and values, democratic credentials, institutional legitimacy. Constrained by multiple layers of control on key players both state-owned and private and strong regulatory control of the industry. Also constrained by economic and governance controls that prevent autonomy to state owned firms seeking assets	IND8
Highly corrupt aspect of India's policy with many private companies seeking to gain commercial interest at the expense of national objectives.	IND13
Policy determined by minister in charge of resource seeking. No clearly defined objectives. Being driven by China's aggressive resource acquisition in areas of India's influence, particularly Africa. Constrained by the balancing act between China and the US. Strong focus on state owned oil companies and a few private firms with elements of chronic capitalism. Constrained by a lack of political willpower, inadequate foreign service to engage in resource diplomacy and change in political priorities due to coalition governments. Institutional constraints driven by strong regulation and lack of coordination between government bodies. Driven also by state policy on changing energy mix to more of natural gas and renewable energy	IND11
State will continue to have control over energy acquisition although some private firms will be given access to specific markets. The institutional approach is driven by state control of refining and distribution networks as well as need to maintain control over domestic prices and its influence on political process	IND5

Table 6: Interview response to the nature of the India's institutional support - *contd*

Response to Question 1	Interviewee
A few private companies are becoming powerful in India's energy acquisition. Being used by the state to penetrate areas where state cannot go in for political, strategic legitimacy issues. Private companies are also used for initial financial resource deployment. Conflicts due to commercial interest versus national interest. Strong Nexus between private firms and politicians. Elements of corruption and political necessity impact institutional approach. Overseas assets having acquired not only for control but with an expectation that oil prices will rise.	IND11
Highly corrupt aspect of India's policy with many private companies seeking to gain commercial interest at the expense of national objectives.	IND13
The government will be focusing on natural gas as a replacement for crude oil, look towards new natural gas sources like Qatar and the US for technology to power the next generation of nuclear power plants based on thorium. Nuclear power has a potential to reduce dependence on energy markets .In addition, focus on renewable energy.	IND3
Access to new markets and new sources of energy resources is important and the integrated energy policy is a key aspect. Africa is a new frontier but not as important as Latin America and Central Asia. Energy security is a critical component of all bilateral pacts and central to our new foreign policy initiatives. In addition Maritime security due to disturbances in our neighbourhood impacts on energy policy. The creation of the strategic reserve for at least 15 days of crude oil supply is the most pressing need.	IND2
There is a clear lack of strategy as well as dependence on cronies within the private sector like TATA and Birla to carry out the states objective. Has led to crony capitalism influencing all aspects of state policy.	OT1
The Indian state is very slow at addressing opportunities even in historically close countries. In recent years an aggressive approach has been seen with several private companies like TATA. However unlike the Chinese, the Indian political support is lacking	KE6
India deliberately chooses positions in its economic policies that present it as a more legitimate seeker of assets.	KE5
Most of the economic activity that we see from Indian companies is from the private sector. The state appears to be showing no interest.	KE7
Although the institutional support of India is weak, there have been recent cases of a strong involvement of the state. In Mozambique, the Indian state has invested \$2 billion to gain control of oil assets. The foreign service is weak and is not keen on creating business opportunities and leaves this to the private sector firms.	KE8
Private firms often drive institutional policy since India has a large internal market. Hence industrial policy is often driven by the private sector	IND10
Although it is a strong player globally, the Indian state is punching below its weight in terms of supporting its national objectives	OT2
As one of India's largest conglomerates, we have access to policy documents and economic projections local Indian embassies. Informal relationships with policymakers help us to understand strategic markets for the Indian government. Doing business is often constrained by our inability to offer informal subsidies due to both institutional values and the company's corporate values.	IND14

4.4 The *market based-approach* for Energy acquisition by the state

This section will examine the *market-based approach* of energy resource seeking by the Indian state from several constituent themes. In chapter 2, the literature market-based approach has already been discussed in terms of both energy security as well as energy insecurity. The international energy agency (IEA) model that was explained in figure 5 is quite evident in India's resource seeking approach. To recap, the market-based approach is driven by both demand dynamics as well as the intent of the state to secure energy assets. To understand more of this approach, this study interviewed one of India's foremost energy security experts, (IND9) who confirmed that this was basically the model that India was following as well as interviewee (IND11) who had advised the state on elements of energy security planning and strategy and was now one of its critics. However, interviewee IND11 indicated that there was to additional country specific aspects of India's energy resource acquisition policy. Energy assets that were acquired by the Indian state had to be:

- (i) Continuously accessible resources for the Indian state and
- (ii) From continuously accessible markets

According to him, this was one key differentiator in understanding why the Indian state is perceived to be catching up in comparison with China and other energy seeking states. Although state owned oil companies largely have the greater mandate to seek energy resources, interviewee, IND11 was of the opinion that the state was also incorporating elements of the private sector to preserve the country specific aspects of the resource energy acquisition policy. By utilising private firms, into markets where short-term energy resources can be acquired, the state will retain its specific legitimacy and policy and still acquire the energy assets it needs. IND11 was strongly of the view that this is why the state was using private forms like Reliance Ltd, the ESSAR group of companies and even the Tata group. The example of Madagascar, where the ESSAR group had been used for government interests to acquire exploration and production blocks was quoted as an example to this researcher. The ESSAR group is a key component of the state's resource acquisition strategy,(Pradhan 2012:288) and is present in many states including Kenya, where the firm has a sizeable market share of the refining sector. To make this distinction more clearer, IND11 informed the researcher that the energy security division of the Ministry of external affairs (MEA) has created two separate and independent working groups: one for private companies tasked with energy seeking and the other for the affairs of the state owned national oil companies.

Some authors have claimed that the Indian state follows a purely market-based approach towards its energy resource seeking strategy. In 2003, the managing director of ONGC Videsh Ltd, Mr. Atul Chandran was quoted as saying '*long-term assumption of oil prices was built into the acquisition cost of overseas assets*' (Dadwal and Sinha, 2005:521). The economic value of an energy asset over time was considered to be the important factor in resource acquisition and thus emphasised the economic rationale for energy acquisition.

4.4.1 The state's economic rationale for energy resources acquisition

A defence of the position that the Indian state is using a market-based approach needs to be grounded in the economic rationale for seeking resources. India imports 78.3% of its crude oil requirement (around 189 Million tonnes of crude oil) worth \$142 billion (Ministry of Petroleum and Natural Gas 2015:4) and a \$1 increase in the price of a barrel of oil is estimated to cost the Indian economy an additional \$120 million. This statistic becomes important in light of the rise in India's population. The growing economy is expected to increase India's need for oil resources to 833 million tonnes by 2030, (Singh 2010:1). To meet its growing demands, the government has concentrated on increasing domestic production as well as seeking overseas production assets. However, domestic production is only around 37 million tonnes and production from overseas assets yields another 8.4 million tonnes, (Ministry of Petroleum and Natural Gas 2015:4). Thus, India is expected to import over 90% of the country's requirement by 2030, (Singh 2010:1) and this is the most important economic rationale for its energy asset acquisition strategy.

In chapter 2, this study had already defined the key principles of the market-based approach towards energy policy in chapter 2. To recap, Yergin (2006:73), defines the approach as:

- (i) Diversification of energy supply types and sources
- (ii) Creating resilience in the energy supply system protect against disruptions
- (iii) Understanding that energy resources operate in an integrated market
- (iv) Processing timely information of energy markets

The market-based approach of the Indian state according to Dadwal and Sinha (2005) has been built on several assumptions:

- (i) Acquiring overseas energy assets, helps to oil companies to lock the ceiling price for future supplies

- (ii) The acquisition price should be lower than the market price on a long-term basis and is dependent on the extractive potential of the asset
- (iii) Energy assets need to be closer to the Indian state to ensure supply security even during instability.
- (iv) Target countries are selected on the prospects of the country or the region and the ability of India's ONGC Videsh (OVL) to compete in these countries.
- (v) Leveraging the ability of India's capacity to buy large amounts of crude to drive down costs

Some of the key aspects within the market-based approach of the Indian state are discussed in detail below.

I. Leveraging India's 'buying power' within the energy market

Compared to China, which has over \$2.5 trillion of foreign currency reserves with which it can acquire energy resources, the Indian state is leveraging \$250 of reserves for this purpose, (Singh 2010:54). But given the fact that India still the fourth-largest consumer of oil resources, the state has as early as 1999, contemplated using India's emerging power status and increasing requirement of oil to obtain preferential rates from the international energy supply system. Some examples of leveraging include the joint venture projects that OVL had used to acquire assets; for example in 2002, a consortium of OVL, Indian oil Corporation (IOC) and Oil India Ltd (OIL) and Iran's national petroleum company (NIOC) started exploration in the Farsi block of the Persian Gulf, (Dadwal and Sinha 2005:525). However, according to interviewee IND9 this approach has not always been successful. He points to the fact that state run Chinese companies spent \$32 billion in 2009 to acquire energy resources while India spent \$2.1 billion in the same period.

The failure of Indian companies to acquire assets at inflated prices pointed towards this market-based approach. According to Dadwal and Sinha (2005:522).Some examples of these were:

1. The Royal Dutch/Shell 50% interest in Block 18 offshore Angola, where Chinese oil companies outbid ONGC Videsh and overpaid by \$1.8 billion for this asset.
2. India also lost in Ecuador to the China National petroleum Company (CNPC) acquiring Encana for \$1.42 billion

The weakness of the market-based approach lies within the assumption that energy assets are commodities and are driven by global supply and demand. At the time of writing, this thesis, oil was trading at \$54.95¹³ and many of India's overseas assets would have lost almost 50% of its economic value, unless one were to factor in the future production value of this assets.

II. Playing catch-up with the Chinese state in commercial acquisition of energy assets

In the interview with IND and IND6, both respondents agreed that India had underestimated the commercial approach of the Chinese state in acquiring assets and that the new institutional focus of the Indian state was based on how to differentiate the acquisition strategy. Both respondents acknowledged that international oil companies (IOC) are facing challenges from national oil companies (NOC) and often have the backing of their respective governments, (Ministry of Petroleum and Natural Gas (2010:126). Some of the key drivers of trying to compete with the Chinese state were included in a report given by the ministry to this researcher and include:

1. China National petroleum Corporation (CNPC) has built a large portfolio of assets and is a major player in Latin America and Africa.
2. State run Chinese oil companies have acquired large financial resources and may create potential entry barriers to India's state-run companies that have limited financial resources in these markets.
3. The Chinese state has spent over \$18.2 billion in acquiring assets with more than \$15.7 billion invested in Latin America alone.
4. Overseas oil production from Chinese owned assets had amounted to almost 1.36 million barrels per day.
5. Chinese oil companies operate in over 31 different countries and have equity oil production in 20 of these countries.

However the market-based approach has not been successful for the Indian state, according to the IND9 who compiled the table below to show the instances where India had lost to China on a purely market-based approach.

¹³ <http://www.bloomberg.com/energy/> retrieved on 23/03/2015

Table 6 : Indian State's assets lost to China on Commercial grounds from IND9

Asset	Indian bidding company	China's bidding company	Winning state	Year
Sonangol(Angola)	ONGC	Sinopec	China	2004
Petrokazakhstan (Kazakhstan)	ONGC-Mittal	CNPC (China National petroleum Corporation)	China	2005
Encara Corp (Ecuador)	ONGC	Andes Petroleum (JV of CNPC and CNOOC (China national overseas oil company))	China	2005
South Atlantic petroleum (Nigeria)	OVL-bid withdrawn	CNOOC	China	2009
Heritage oil's 50% stake in Lake Albert Basin (Uganda)	OVL, OIL and Indian oil	CNOOC	China	2009
YPF- Repsol (Argentina)	ONGC	CNPC and CNOOC	China	2009
Halfaya oil field (Iraq)	ONGC	CNPC consortium	China	2009
Berkine basin (Algeria)	ONGC led consortium	CNOOC consortium	China	2010

One of the key reasons why India has lost several of its opportunities is partly due to weak deployment of financial resources. To compensate for this, the Indian state has begun to engage with governments and leaders at the bilateral level. One of such engagements in 2008, focused in offering soft lines of credit to counter the Chinese resource-based approach in Africa. This has led researchers like Mitchell and Lahn (2009) to comment that '*India has focused development lending initiatives on the resource rich countries of West Africa as national oil companies are keen gain deals*', as cited in Pham (2010:6). However in the interview with respondent, IND9, the amount that the Indian state was deploying in resource acquisition, was considered to be very insignificant and pointed to the institutional myopia at the bureaucratic level in many of India's state-owned resource seeking apparatus. The interviewee was of the opinion that to make any significant impact using credit lines, the Indian state should have been prepared to deploy around \$50-100bn.

4.5 Security-based approach of the Indian state towards resource seeking

The security approach towards seeking of energy resources within the global system has been identified in chapter 2 of this thesis. Key issues that determine the security-based approach of the Indian state have also been identified in chapter 2 as follows:

- (i) Security of the supply chain of India's energy assets
- (ii) The security dilemma of the Indian state
- (iii) Security of the sea lanes through which India receives its energy assets management of the chokepoints of this sea lanes
- (iv) The wider context of state policy and balancing of its foreign policy priorities.

4.5.1 Security of India's energy supply chain

In the discussion on the institutional approach, interviewee, IND9, thinks that Indian state is becoming more proactive on the security front and already indicated the security of supply chain as strategic to the state.

Some measures of this shift in activity according to IND9 are:

- (i) Inclusion of experts from the Indian Navy in several meetings where it has been decided that future as well as existing energy supplies were to be transported under the Indian merchant fleets control as well as through lines of communication where the Indian Navy could ensure the security. Although this is still hypothetical scenario, the Indian state is concerned about China's aggressive stance in the South China Sea as well as its infrastructural activities in India's neighbourhood.
- (ii) Provision of additional funds in India state budget to develop a *blue water navy* that can consolidate the security of shipping lines particularly in India's immediate neighbourhood.

I. Maritime security concerns

The prime importance to securing the supply chain comes from the instability along many of the state's from which India obtains its energy assets. There are many chokepoints along the transportation routes of seaborne crude oil that impact on India's resource seeking strategy. Some of these are:

- (i) Straits of Hormuz which lies at the entrance of the Persian Gulf
- (ii) The Suez Canal which connects the red Sea and the Mediterranean
- (iii) The Bab el Mandeb Strait which provides entrance of the red Sea
- (iv) The Bosphorus Strait which is a major export channel for Russian and Caspian oil
- (v) The Strait of Malacca through which 80% of Japan's South Korean oil along with 50% of China's oil pass through, (Yergin 2006:75).

In order to address this Maritime security concerns, the Indian state has reportedly tasked its navy to create and deploy blue water navy, (IND2 and IND3).

Creating and deploying a blue-water navy as part of India's security of its shipping line was also addressed in the report of the ministerial group tasked creating a formal approach on India's energy security. This group in 1999 had defined that state policy should operate '*within strategic and defence considerations*' (Ministry of Petroleum and Natural Gas 1999:3). However, IND11 disagreed with the assumption that creating and deploying a blue water navy would offer any real advantage to the Indian state resource seeking approach given that currently India has not used its navy for any form of marine warfare in the past 50 years. However he also agreed that securing energy supplies was highly critical within the state's economic security policies.

II. Projection of power into the Indian Ocean

In the context of the maritime security concerns that the Indian state has had in light of its supply chain, several interview respondents (IND12, IND13, IND14, IND7, IND8) indicated that one of the key reasons that the Indian government was increasing its investment on the Navy was to take control of the Indian Ocean. This is partly due to protect the supply chain as well as due to India's geographical position in the ocean. Strong historical, trade and maritime ties with Indian Ocean states have been strengthened with recent diaspora engagements as well as several high profile government visits.

Another aspect of the projection of power into the Indian Ocean comes from the rebalancing of the US foreign policy paradigms -the Asian pivot strategy that pits India against China in the region. In the light of the Obama administration's decision to close down 15 US military bases in Europe and a possible US disengagement from the Middle East, there is a case that the Indian state is augmenting its sphere of influence within the Indian Ocean to take up the security burden or at least some position with it.

This researcher was commissioned in February 2015 to write a review of the Indian state's security deployment in the Indian Ocean. Evidence from this review had pointed to the fact that the Indian state is keen to deploy power into the Indian Ocean, particularly with respect to states that possess energy resources as well as possess the ability to offer control of the state's energy supply chain.

A series of chronological events the support this argument is listed below:

- 2002 - India signs an agreement with Mozambique for maritime patrolling off its coast
- 2003- The Indian navy provided seaward protection for the African Union summit at Mozambique.
- 2003- India signs a bilateral defense agreement with Singapore
- 2011- The 550 Indian Naval air Squadron is based in Male, Maldives to operate coastal patrols
- 2011 saw the deployment of four naval ships into the South China Sea and the Western Pacific theatre. Port calls were carried out to important allies in the Indian Ocean
- 2013- development of the Sagar port in the Bay of Bengal as a new naval base
- 2013 - The building of a dedicated naval base on Karwar on the western coast of India provides the Navy unhindered access to the Indian Ocean.
- 2013-The second aircraft carrier, INS Vikramaditya, entered service, making India the only Navy in Asia to have two carrier battle group(CBG) capabilities.
- 2013- India gifts a Dornier transport aircraft and a fast attack naval craft to Seychelles and Mauritius are respectively.
- 2014-In October the Indian Navy deploys four warships from the Western fleet into East Africa, on its first ever Blue water deployment.
- 2014- Between October and November a stealth frigate of the Navy, the INS Teg visits Mozambique and South Africa.
- 2014- In December, Indian Navy ships respond to water crisis in Maldives by providing drinking water from an Indian Navy ship.
- 2014- Sale of a corvette class warship to Mauritius and the activation of a coastguard listening point and radar station at Narcodam in the Andaman islands.
- 2014- Indian invests \$100mn in the Kaladan multimodal transit transport Project using Sitwe in Myanmar to link landlocked Indian regions with the Indian Ocean.
- Management of the national coastguard of Mauritius has for several years, been under the command of an Indian naval officer.

- 2015- Indian chief of naval staff visits Mauritius followed by the visit of the Prime Minister of India gifting a warship.

This deployment of the security-based approach can be examined in light of a number of key developments. These are that are examined below.

- 1) Firstly, the biggest economies in Asia, India, China and Japan have seen a resurgence of nationalism following the elections of Prime Minister Shinto Abe, Prime Minister Narendra Modi and President, Xi Jinping. Following the shift of economic gravity to Asia in recent decades, all three countries are becoming more active. The Chinese Navy's recent involvements in the South China Sea where India's ONGC has assets in a joint-venture with the Vietnamese government has added to the state's concern according to IND9. The rise of the Nationalist BJP party in India has seen a renewed focus on the 'look East' policy with a strategic engagement of Indian Ocean states. Both IND8 and IND9 think that this strategy specifically targets states that have disputes with China as this is key to India's sea control and sea denial strategy in the event of a war with China. Using this, the Indian Navy has boosted its fleet to over 240 vessels with orders for another 40, including a new aircraft carrier. Creating blue water navy with three battle groups is expected to extend control over the northern Arabian Sea as well as into the Indian Ocean as part of this strategy.
- 2) Secondly, the recent Obama administration engagement with India that culminated in the president's visit as a guest of honour in India's Republic Day parade in 2015, points to a growing India -US shift. A mutual distrust of China and its action in the South China Sea as well as its infrastructural engagements through the establishment of the so-called 'string of pearls' around the Indian Ocean could be one reason why India is closer to the US. IND11 in his interview commented that India involvement particularly in Iran as well as its support for the Northern alliance in Afghanistan had the tacit blessings of the US government. He also indicated that many actors in the state would also like to balance the US support with both Russian and Latin American African states. This is due to the historical ambivalence that India had experience with the US particularly during the Cold War as well as during several periods following economic liberalisation in 1991. The signing of the nuclear deal with the US following president Obama's visit in 2015, the willingness to cooperate in nuclear technology, supply of thorium fuel to India's next generation nuclear reactors, support to the building of aircraft carriers that can help the Navy to project Blue water capabilities and the acquisition of long-range maritime surveillance aircraft from the US point to a deeper relationship. The long-term historical India-Iran trade ties as

well as its neutrality on the embargo of Iran by the US are the other elements of this relationship.

- 3) Thirdly, the Chinese state has territorial ambitions of its own in the Indian Ocean. Although in recent years, it has not projected any military power, the People's liberation Army is also augmenting its maritime capabilities. IND11 presumes that this is also in a bid to possibly control the sea-lanes, which at this point in time is dominated by the Indian Navy. Given that most of the Chinese states resources come from Africa and have to pass through chokepoints that are controlled by the Indian Navy, it's essential that the Chinese state augment its capabilities. The integration with Pakistan and its growing relationship with China including the leasing of a deep-water port,(Gwadar) to the Chinese Navy are of concern to planners in the Indian state according to IND9. For over 30 years, the Indian state has practised a doctrine of sea denial with respect to Pakistan, forcing it to defend additional parts of its coast in the event of a conflict with India. However as part of its Maritime silk Road Project (MSR), China has been investing in developing ports in Bangladesh (Chittagong), Pakistan(Gwadar) and Myanmar(Sitwe). It has invested heavily into building up of port infrastructure in Colombo, Sri Lanka. All of these activities have contributed to the Indian states concern of the Chinese intention of the Indian Ocean.
- 4) The fourth and final aspect of India's involved in the Indian Ocean comes from its increasing military involvement in the Persian Gulf region. There are reasons to believe that Persian Gulf states are also warming up to the Indian states role in the Indian Ocean given both with historical and diaspora linkages. India's geographical position between the key chokepoints of the Strait of Hormuz (where it enjoys good relationship between both the Sultanate of Oman and Iran) and the Straits of Malacca, gives it a unique advantage in the Persian Gulf region. In December 2014, Indian military forces stage a joint military exercise (Al Najda), with the military forces of the Sultanate of Oman. This was preceded the same year by the deployment of warships into the Persian Gulf to rescue citizens from Iraq. One of the strongest indicators of India's new military involvement in the Persian Gulf comes from its decision to establish listening post to monitor maritime traffic. In 2011, India activated a secretive listening post at Oman's Ras al-Hadd beach with support from the government of Oman. This post about 400 nautical miles from the Gwadar Port was built in 2009-2010 and significant because of its berthing facilities for both Chinese submarines and naval vessels operating in the Indian Ocean. This researcher believes strongly that the man listening post is linked to other posts in the Indian

Ocean (Madagascar, Kochi, Mumbai, Mauritius, Maldives, Andaman Islands) to form a string of 'Indian pearls'. The Oman government has also provided the Indian Navy in 2013 with berthing facilities for its submarines and naval warships. The Navy's intelligence gathering along the Indian Ocean and Persian Gulf was augmented by the deployment in 2013 of India's first dedicated military satellite (GSAT-7), which removed the dependence on INMARSAT. India has started to share intelligence from the satellite with Oman.

From the evidence above, it is becoming increasingly clear that the Indian state is seeking a more proactive role in the Indian Ocean region (IOR) as part of security based approach to support both as economic and geostrategic goals. Figure 4, which showed a list of India's existing oil assets, most of which are around the Indian Ocean, supports this view too. Most of the oil assets acquired are offshore and can be easily protected in the event of instability by the deployment of a blue water navy, according to IND9.

4.5.2 Criticisms of the security-based approach

However in spite of the evidence above, a security-based approach is difficult on its own, due to the understanding that India does not have an overall vision of its energy needs, (IND11). The plural form of India's democracy, a history of non-intervention using the security approach as well as its political challenges have been used by IND11 to argue against this approach. However, given that he thinks this is essential, the military strategy and its deployment in the future would be perceived as an incremental evolution. The recent reduction in military expenditure the budget, its delay in commissioning of its indigenous aircraft carrier, delay in acquiring a Russian aircraft carrier and a possible slowing down of its economy might put pressure on this approach according to IND11. Another issue that might compound the problem is India's dependence on carrier battle groups instead of submarines. Given the China is concentrating on inserting submarines into the Indian Ocean and that India lacks in sheer numbers of submarines to patrol its sphere of activity, future power projection scenarios using its current strategy might prove costly. The state is also not clear about which region of the world has the potential to deliver an alternative to its current West Asian energy source of supply. Therefore the question of how a potential deployment of the security-based approach will work is not yet clear.

4.6 Strategic choices and drivers of India's resource based approach

One of the key theme that has emerged from the interviews held in the Indian context was the constant refrain that India would like to diversify its energy sources away from the Middle East. This chapter has already discussed, that the Indian state is planning to increase its strategic crude oil reserves to compensate for supply disruptions. Interviewee, IND7 had estimated that India's current strategic reserve is around 15 million tonnes or enough for one-month of supply at current consumption. The economic costs of building a strategic reserve infrastructure as well as its geographical proximity to the Middle East with good historical relations with the region are the reasons that India is not developed additional storage capacity.

The state's new strategic diplomatic choices in the Middle East could change this scenario, (IND7). The perceived closeness to the state of Israel for its ability to offer new military hardware and security infrastructure to support, India's need to upgrade its military infrastructure is a thorny issue in the region. India historically as part of its anti-imperialist stance had supported the Palestinian cause in international forums and gained credibility in many parts of the Middle East (IND7). As part of its broader national agenda to protect the security of its energy supplies, the Indian state has been consolidating its security-based approach in the Middle East. During the interviews at India's Institute of defence studies and analysis (IDSA), this theme came up during the interviews with IND7 and IND8, who had mentioned the work of the security expert, P.K Pradhan at the IDSA who had proposed this line of thinking in 2012. Pradhan (2012) had suggested that India's defence diplomacy in the Persian Gulf is historical starting from 1972 but has become more prominent following the September 2001 terrorist attack, as well as the November 2008 terrorist attack in Mumbai. Coupled to this was a need to protect shipping against the rise of piracy in the Arabian Sea through which most of its energy resources transited. Due to the size of its Navy as well as the need to ensure the security of the sea lines of communication (SLOC), the Indian state has moved to increase its defence diplomacy in the region. The key role of the Indian Navy's, naval diplomacy, Pradhan (2012), is to support foreign policy objectives as follows:

- (i) Collaborating against piracy
- (ii) Safety of SLOC
- (iii) Securing choke points in the western Indian Ocean
- (iv) Dealing with China in the Indian Ocean
- (v) Curtailing Pakistan's influence in the Gulf
- (vi) Building security cooperation with GCC countries
- (vii) Strengthening India's strategic interests in the Gulf region

In addition, to diversification of supply, the state is following several other strategic choices that are discussed below.

4.6.1 Resource based approach and India's energy basket

According to IND11, the state's resource-based approach is dynamic as India's energy basket is constantly changing due to an evolving economic context. With the monetisation of the rural and economically backward areas of India, IND11 stated that commercial energy is replacing other forms of fuel in these regions. The state's primary concern is that of providing primary energy particularly in the form of electricity. Due to its economic growth, the Indian state has seen an increase in demand in the range of 25,000 to 30,000 MW from its primary energy demand. An ageing infrastructure and lack of investment has seen the demand gap according to IND11 been met by costly captive generation using diesel generating sets. This is form the bulk of India's requirement for crude oil imports for its primary energy need. One approach of the state is taking is that of using nuclear power to compensate for it demand gap of around 50,000 MW in the next 10 years. The key drivers in changing the energy basket lie in replacing crude oil with natural gas as well as meeting primary energy demand with cleaner fuels like nuclear power.

The next major shift in the energy basket is the emergence of natural gas as a major source of energy. Currently provides about 12% of the total energy mix and is a fastest-growing part of the energy sector. Most of the state's needs are met by imported pipeline gas, domestic sources of gas as well as imports of liquefied natural gas, (IND11). The need for India's energy basket to be diversified to accommodate its long-term futuristic vision of managing energy demands was also confirmed to the researcher by interviewee, IND3 who was one of the key architects of the current integrated energy plan. According to IND3, the energy basket was going to be progressively changed to focus on natural gas as a primary fuel. The state was already investing heavily in forcing many of its public transport infrastructures to convert liquefied petroleum gas instead of depending on crude oil. As an example, the state of Delhi had already implemented public transport that runs on liquefied petroleum gas. By doing so, IND3 expect that the Indian state would meet its obligations under the climate change agenda as well as help in diversify its energy supplies. Already in return for a long-term supply contract of natural gas, India had agreed to provide a security umbrella to Qatar through the 2008 defence pact (IND3) and this has been discussed in the preceding paragraphs. In addition to moving towards natural gas, the institutional frameworks were being strengthened to develop infrastructure in renewable energy, increasing generative capacity in biodiesel and ethanol as well as targeting technology utilise locally produced hydrogen, (IND3).

According to interviewee, IND3 another political shift was India's new rationale of engaging with states that could provide India with technology to build new nuclear reactors based on thorium as well as states that could provide India with uranium and thorium assets. This is one reason why there was a foreign policy shift towards engaging with US interests in Asia particularly in facilitating a response to how India would perceive China.

For most of its contemporary history, India has had a turbulent history of engaging with both the United States and China, (Borah 2014:68). In its resource- based approach the Indian state has to factor in the dynamics of engaging its larger neighbour as well as the world's existing hegemon. The study will now examine the intricacies of both of these relationships.

4.6.2 The relationship with China

In recent years, the Indian state has moved towards accommodating China in its overall strategic foreign policy shifts. When this researcher interviewed, interviewee IND7; she had finished an earlier interview, with a former diplomat. According to her, many conservatives within the Ministry of external affairs (MEA) were prepared to accept an Asian led hegemony in Asia rather than US led hegemony. This was partly due to the fact, and the US military and diplomatic policies in Asia historic have not benefited many of its allies. Interviewee, IN7 used the example of the state of Pakistan and the diplomatic as well as military policy shifts of the US, to support this argument. Following this perception, it would seem that the Indian state would be welcome to including China. IND 7 seems to think that there is a school of thought within the foreign service, that Indian China together could create a new front in the geostrategic games in Asia provided they have a common objective. Examples of joint ventures, where Chinese and Indian state owned national oil companies have collaborated to acquire energy assets was held up as an example.

Another aspect of the relationship lies within a pragmatic security approach. Given that India has had border issues with China as well as mistrust due to support of the Tibet movement, IND7 claimed that successful Indian governments did not want to enter into open competition with China for resources, as it felt that could not stand up to the Chinese military's strength. The main rationale seems to be to maintain the status quo on the borders and on other the diplomatic issues. Interviewee, IND2 also added that given the inherent political system and the different perceptions of the Chinese state within India's political system it was difficult to have a consensus on India's foreign policy towards China, especially at the time of the interview (in 2013), when no political single party had majority in Parliament.

In terms of the engagement with China, the interview with IND11 threw up the position that the Indian state treated China, as a strategic competitor in resource seeking and sought to manage it as both a competitor and a possible collaborator. At the time of the interview (2013), the Congress party in India had formed a coalition government, which had aligned itself with the United States of America, and IND11 was of the opinion that India's position with China was partly designed to offset China as part of an American game plan for Asia. Although the US according to IND11 was tied to China economically and across several spheres it would want to play both the Indian and Chinese states as a subtle balancing act in Asia given that US was planning to deploy its Asian pivot strategy.

To better understand the nature of the new shift, a brief look at the historical precedents of the relationship is essential.

In spite of being presumably non-aligned, India after independence was aligned more to the Soviet state and by doing so aligned itself closer to China. From 1947 till 1962, both states enjoyed a close relationship partly due to the fact that they had both shaken off foreign colonial domination (Borah 2014:68). The 1962 border war in which China was perceived to be the aggressor by the Indian state was a turning point. India's relationship with China needs to be addressed on three different planes within the foreign policy context.

- I. **Trade plane:** Cooperative relations between China and India were frozen from 1962 until 1988 when the then Prime Minister, Rajiv Gandhi visited China. Over the years, China has become India's biggest trading partner even though the border issue remains unsettled. Trade with China is expected to reach \$100bn this year (2015) (Borah 2014:70) but is still overshadowed by the protectionism of China's domestic market that fails to give access to Indian companies.
- II. **Political and geopolitical plane:** Border disputes as well as the wider Tibet issue have clouded India's relationship with China. The building of dams to prevent sharing of river waters from the Yarlung Tsangpo, China's refusal to recognise the Indian part of the Jammu and Kashmir region, as well as the incursion by Chinese border People's liberation Army (PLA) troops in the Ladakh region are some of the existing contentious issues between the states, (Borah 2014:72) The recent proposal by the Indian state to deploy a 50,000 strong modern strike corps along the Chinese border is proof of the Indian state's mistrust of China. China is also a key factor in India's geopolitical game and South East Asia. Its '*look East*' policy is considered to be in

direct competition with the Chinese political strategy, (Borah 2014:72). China also does not support India's quest for a permanent seat of the United States Security Council and also has been affected by the recent bilateral relation that the Indian state has had with countries like Japan and Vietnam with whom China has had disputes in the South China Sea.

- III. **Cooperative plane:** Despite being perceived as competitors,, India and China have collaborated on several fronts (Borah 2014:73). A very recent development in 2014 was China's collaborating on the new Nalanda University in India to which it contributed \$1bn.Chinese state owned railway companies have been invited to do the feasibility study for a high-speed railway corridor between New Delhi and Chennai. There are indications that India and China are pulling together resources in Afghanistan after the pull out of Western forces due to their common interest in the region.

Interviewee, IND9 as indicated earlier in this chapter was responsible for a report the government on comparing both India and China's resource seeking activity. In the interview the researcher had with this respondent, the Indian state's preoccupation with China as a competitor for resources was argued to be on the basis of how it is manipulating both energy markets through its superior financial resources as well as the political environment of its involvement in both Latin America and Africa. Within energy security doctrine according to IND9, a resource exporting state needs to have a continuous access of market to sell its resources while the resource importing state needs to be able to ensure uninterrupted supplies are available from the resource exporting state at all times. This to him was the key reason to China's success in comparison to India in acquiring resources. In comparison to India, the Chinese state was able to reduce its import dependence on crude oil and aims to import only 60% of its total needs in 2020. In comparison, India will need to import 87% of its total needs in 2020. A report of interviewee IND9's analysis published in Singh (2010:52) on the comparison of both India and China's need for energy resources can be summarized as:

- (i) India's oil, natural gas and coal consumption is less than that of China as on date.
- (ii) The Indian state is far more dependent on oil imports to China.
- (iii) Transportation, commercial and household sectors are the primary drivers of energy demand in India while in China it's the industrial sector that drives demand.

Given that China is a far bigger competitor in terms of its consumption (IND9 had indicated that China consumes 300% more of energy resources than India) as well as its aggressive

stands in resource seeking, it will be a bigger challenge for the Indian state in the energy sector, (IND9). China as a key competitor that the Indian state was seeking to manage in the international arena, was also part the perception by IND2 during his interview with the researcher. The cooperation that the Indian state has with Vietnam in the South China Sea is another aspect of its perceived competition with China for resources. The state on company ONGC had acquired a stake in 1998 and has been producing gas since 2003 in Vietnam. In 2006 ONGC Videsh (OVL) released another offshore block on which it spent \$68 million. According to Airy and Jacob (2012), the South China Sea has a potential of 50 billion tonnes of crude oil with around 20 trillion cubic meters of natural gas. Hence, it has been an area where both states have engaged in exploratory activity. China has objected to Indian oil companies exploring for new reserves. However given that it is cooperating with Vietnam, the Indian state has always maintained that China has no position in Vietnamese waters.

4.6.3 The relationship with the US

The collapse of the Soviet Union in 1999 had forced the rethink of India's foreign policy and was considered to be a prime reason why India and the US have come closer according to (Borah 2014:68). Following the win of India's nationalistic party, the Bharatiya Janata Party (BJP) in 2014 and its absolute majority in Parliament, the relationship between both states have increased and is expected to take decisions that the previous coalition government could not have taken. The US has been key to getting India into the nuclear suppliers group (NSG) without having to sign a nuclear non-proliferation Treaty (Borah 2014:69). The defence sector is also key to the US India engagement as India seeks to upgrade its military infrastructure and is looking to the United States to replace Russia as a supplier of choice. Within the energy sector, the US has been a key factor in allowing ONGC Videsh (OVL) to take over the assets of the Canadian oil company Talisman in March 2003 (Large and Patey 2010:6).

Having discussed the three separate approaches that the Indian state is deploying as well as the strategic choices that have driven this, the next section will look at the intangible resource deployment of the state using its norms and values.

4.7 Resource acquisition based on norms and values of the Indian state

4.7.1 The Indian state's democratic credentials

India has laid claim to becoming the world's largest democratic state and has carved a sense of legitimacy by maintaining its democratic credentials over time. As a party that fought for India's independence, the Congress party has dominated Indian politics for 40 years out of the 68 years of independence. Its hegemony was challenged in 1967 by the rise of new regional parties and the party was guilty of using several constitutional and unconstitutional methods in maintaining its grip on power. The closest that India came to losing democratic credentials was in position of a state of emergency (1975 to 1977). However in tribute to, India's democratic credentials and in spite of the dictatorial imposition of the state of emergency the Congress party was defeated by democratic elections in 1977 (Mukherjee and Malone 2011:89). It is this a resilience of democracy within an emerging state, that has provided India with the source of capability that it is firms can use in new markets. Kohli (2012:9) has stated that when compared to China, India's economic achievements are modest, but has been achieved through a democratic process-something unique within the Asian developmental state debate.

India's democracy has also enabled the state to follow on its developmental agenda with a better record of human rights and limited human costs (Kohli 2012:9). Democratic principles and a sense of idealism driven by India's first prime minister, Jawaharlal Nehru contributed to the creation of the unique identity of the state, that of its non-aligned approach during the cold war period.

4.7.2 Differentiating resource acquisition using the developmental agenda

This study has already defined that one of the key concerns that the Indian state has is in respect to the resource acquisition strategy of the Chinese state. Given that the state understands that it cannot compete in financial terms with China, one method of differentiating its resource seeking approach lies in tying resource acquisition with the developmental agenda. One example of such an differentiation was the creation of the Pan-African E-network in 2007 through which seven universities, 12 advanced hospitals were linked to 5 universities, 53 clinics and 53 distance education centres in India, (Pham 2010:8). Another example has been a grant from the MEA and the Ministry of Railways to conduct a feasibility study of a railroad in Senegal.

4.7.3 Acquisition based on international norms

Interview respondents (IND2, IND9 and IND11) had indicated in the interviews that resource seeking by the Indian state was constrained by its acquisition approach that was based on respecting all international rules and regulations. Even though it had to maintain the pace of acquisition the Indian state, was quite rigid in how its firms (both private and state owned) would behave in an international context. One example has been developments in the South China Sea. ONGC Videsh carried out exploration work in the deep-water parts of the South China Sea in a joint venture with Vietnam's national oil company, PetroVietnam. However the Chinese government had termed India's exploration activity is 'illegal' and pressurised ONGC Videsh to exit the zone. However as reported by Airy and Jacob (2012), the company was advised to continue exploration and an Indian government spokesperson was quoted as saying '*our cooperation with Vietnam with any other country is always based on international laws, norms and conventions*', (Airy and Jacob 2012).

In the Kenyan context, KE6 indicated that unlike the Chinese government, the Indian state was perceived to be one that practiced a 'hands off' approach in terms of supporting its firms both private as well as government. To him, this was the key differentiating factor in the way both Chinese and Indian firms' practised business in Africa. He quoted the example of the 2013 visit of the deputy premier of China as an example of how the Chinese state were supporting its firms and added '*Kenya has not seen any Indian Prime Minister visiting for ages*' The other differentiating factor is that Indian firms have been perceived as following a purely economic rationale in engaging with Africa (KE6). On the other hand, due to the institutional support for Chinese firms from Kenyan and Chinese governments as well as the perceived lack of transparency, many perceive that there is a normative rationale behind Chinese interest in Africa.

India's unique advantage on this acquisition based on international was also identified as a key component of its differentiation strategy by interviewee, KE1. Given that many governments in Africa have realised that there is a lack of transparency in the way resources having managed is a new impetus on making this process transparent. Many states in Africa have already signed to the extractive industries transparency initiative, (EITI) a move that seeks to bring many of the resource extraction deals into the public domain. Although India has not signed to the EITI initiative yet, its track record on transparent business can help

4.7.4 Managing the Indian state's soft power attributes

In an interview (with IND7), the Indian state was identified as seeking to differentiate itself within Africa by trying to deploy elements of its soft power attributes particularly in terms of India's historical non-involvement in African politics as well as the support of its anti-colonial movement. By doing so, interviewee IND7 claimed that India was trying to avoid competing directly with China on economic terms.

The Indian state-the primary focus of this thesis has started actively promoting its use of soft power diplomacy as a tool to promote its economic interests, particularly in South Asia and more recently in Latin America and Africa. The deployment of soft power is not new in the Indian state but its application has changed, Kugiel (2012:354). Soon after independence, India had used several forms of soft power deployment by promoting its culture, its membership in the non-aligned movement, criticising apartheid in South Africa and using foreign policy to promote disarmament, Kugiel (2012:354). This had earned the state enormous goodwill amongst other developing states.

India dominates the power structure of South Asia due to its population, territory, economic and military advantages. By virtue of its geographical location, it is centrally located and is the only state that shares borders with all of the South Asian states(except for Afghanistan), Kugiel (2012:352). But, initial attempts to promote its soft power attributes by increasing its own attractiveness and credibility have been met by mistrust by almost all of its neighbours, Kugiel (2012:352).

India's new public diplomacy is building on soft power attributes and tradition while trying to depart from previous practice. Hall (2012:1090) has categorised the new soft power diplomacy of India across three themes:

- (1) The Indian state is seeking new audiences within India particularly the youth
- (2) The Indian state is seeking to engage its diaspora communities overseas
- (3) the state seeking to inform opinion in the developing world(e.g in Africa) as well as in India's immediate South Asian neighbourhood

The Indian state's cultural and soft skills advantage according to interviewee IND7 was particularly useful in acquiring energy assets in the African and Latin American context. However due to institutional inertia within the state, IND7 claimed that the Indian state had failed to take advantage of this unique resource. Culture particularly, contribution of the Indian film industry was also seen as a potential resource that the state could use as part of its cultural advantage. In another interview with KE10, this was attributed to the large amount

of Kenyan Asians. In addition cultural advantages, Indian cuisine another aspect of its soft skills advantage although it has been replaced in recent times by Chinese cuisine.

One of the best examples of India's soft power deployment in Kenya according to KE10 was soon after the Westgate terror attack. The attack had happened in a shopping complex that was owned by an Indian Kenyan. After the attack, the local Indian community mobilised security and medical resources to the victims well in advance of the police and army reaching the scene . The fact that the community treated everyone regardless of the ethnic background transformed how 'Indianess' was being perceived by the Kenyan society, (KE10).

Although the Indian state has considerable 'soft attributes' and power, the Deputy chief economist of the Ministry of energy and petroleum in Nairobi Kenya, (KE2) opined that it was not being deployed in any context. This is also confirmed by another interviewee, (OT2) of the British Embassy in Nairobi who claimed that 'institutional myopia' that has prevented India from punching above its weight in the international arena. The Indian state according to him also presents another paradox, on why it does not engage with the Kenyan diaspora to further its economic interests. Historically, the diaspora of any state is used to further a state's economic interest but in terms of India's activity so far, interviewee OT2 does not seem to have seen any evidence of that happening particularly in Kenya.

However, Hall (2012:1102) argues that the Indian state has more beyond well-established instruments of public diplomacy and is keen to deploy some aspects of its soft power in pursuit of economic interests. This process can be viewed through the following:

- (1) The state's engagement with diaspora overseas
- (2) The attempt of the state build connections foreign business interest
- (3) Its new foreign aid and development programme funded by a substantially larger financial contribution
- (4) The use of major events to showcase and nation- brand 'India'
- (5) The use of technology and social media to reach out to a younger and technology savvy audience

In Africa, the explicit objective of the Indian state has been considered to build soft power that could leverage political and economic advantages particularly in resource seeking, (Hall 2012:1106). Several initiatives have demonstrated this objective. The Pan- African e-network, a collaboration with the African Union (AU) was designed to support tele-education and tele-medicine linkages with African and Indian universities and hospitals (Hall 2012:1106).

4.7.5 The state as a supplier of legitimacy to other states

In this section, the study has already examined the potential of the Indian state to offer its democratic credentials and governance track record as resources for firms. The legitimacy that India can offer to the world lies within both economic and political terms, (Acharya 2011:862). In 2005, the then Prime Minister, Dr Manmohan Singh talked of the '*21st-century as being an Indian century*' with the world respecting the Indian state for the democratic values inherent in its system of government as well as the principles of pluralism and inclusiveness that he argued, represented the perception of Indian culture and heritage,(Acharya 2011:862).The key question therefore is to find out whether in practice, the state can deploy this resource. The researcher had asked interviewee, KE5 about India's ability to offer legitimacy. He agreed that this happens on many platforms and for a. In international affairs, India and Kenya are on the same side in the United Nations, the same caucus and if one were to examine the working patterns of both India and Kenya, it would seem that the support each other on issues of common interest. Using this evidence, KE5 provided his personal experience of representing Kenya in international forums. The general perception among diplomats is that the Indian state deliberately looks for positions where it can project legitimacy. While many of these positions are aligned to its national policies, by reinforcing these positions, India reinforces its legitimacy as well. According to KE5, by doing so specifically within the security council of the United Nations, India has been perceived by states like Kenya to be one that can protect its lesser partners in diplomatic games.

Within the Kenyan state of today, the political and foreign policy orientation is for Kenya to align itself with what it calls 'axis of influence' which are states that have strong economic and military powers in both in Africa as well as globally. By aligning itself, KE5 thinks that the Kenyan state expects that other states will perceive a wider element of influence, power and legitimacy. He expects that it is this unique combination that the Indian state is exploiting in many of its resurgent focus on driving its national agenda in Africa. Kenya's tribal politics is perceived to be one arena where the Indian state can exert its legitimacy, according to interviewee, OT2 who had claimed that the traditional Kikuyu tribes and always favoured India and other Asian powers over Western powers.

The Indian state has been argued to try to differentiate its position as a resource acquiring state by using its developmental approach to seeking of these resources. Interviewees, KE12 and 13 call this the '*non-exploitative*' partnership of the Indian state as compared to the perceived '*exploitative*' partnership of other resource-seeking competitors. One other

methods that the Indian state is using is that of offering markets for African products as well as championing foreign direct investment into Africa, (KE13). As a result of corporate bilateral exchanges, interviewee KE12 claims that trade between the Indian state in Africa crossed over \$60 billion in 2011 and is expected to reach \$90 billion by this year (2015).

4.7.6 Non-alignment and a unique national identity

Once independent of the British Empire, India's foreign policy was based on the management of idealism and morality. These ideas in turn were shaped by two of the most influential individuals in the creation of the state:

- 1) The father of the nation, Mahatma Gandhi and his non-violent approach to seeking independence.
- 2) India's first prime minister, Jawaharlal Nehru and his socialist, idealistic non-aligned approach to international relations

The non-aligned movement was something unique that the then third world countries subscribed to as an alternative to the bipolar order of the world at that time, (Mukherjee and Malone 2011:87). India had emerged after independence after the end of the Second World War to a political system that was divided into two camps; capitalism and the communist bloc, (Berger and Ghosh 2010:588. It was a defeat by China in the 1962 war that forced the Indian state to confront the hard politics of international relations and more slowly away from nonalignment according to Mukherjee and Malone (2011:88).

The non-aligned approach of India was incorporated into the creation of a national identity and contributed to creating the ideal of an India with a separate brand of nationalism, which is examined next. The beginning of India's nationalism was described as being developed over three stages, (Berger and Ghosh 2010:596).

- (i) The first stage is called the moment of departure or an attempt to impose Western technology onto an Eastern mind. During the initial period following independence, nationalism was part of a sophisticated elite.
- (ii) The second stage involved decolonisation was called the moment of manoeuvre. This involved the rejection of the original ideas of nationalism that had brought independence and the experiments with elements of socialism.
- (iii) The third stage was a complete discarding of the spirit of *swadeshi* by India's first prime minister and the shift towards the development of a socialist state with trappings of a developmental state.

National identity, the creation of nationalism in the Indian state and the migration of Indian diaspora to many overseas countries following the Second World War have also contributed to the creation of another capability, that of the role of the Diaspora.

4.7.7 Diaspora and its role in the development of the values of the state

The energy analyst that the researcher had interviewed (IND9) indicated that the government of India is closely monitoring and moving to the use of diaspora in acquiring oil assets. He had specifically mentioned a company called Mohan energy in Africa, which was the new private company that has an imperative from the Indian government to seek energy assets in risky and volatile areas of Africa. The importance of the Indian diaspora to the state was also indicated by another interviewee, (KE1) in Kenya. According to KE1, Kenya has had a long association with India right from the time of colonialism, when Indian indentured labour built the railways. Today in Kenya, most of the successful businesses are owned by the third or fourth generation of migrants from India and many still maintain a strong sense of economic as well as family linkage with the mother country, (KE1).

The use of the Indian diaspora in supporting its state policy, is becoming an important factor in India's relations with neighbouring countries, (Abraham 2012:126) and has also played an important role in India's growth and development. The term 'Indian diaspora' has been used for emigrants from India and refers to '*people who have migrated from territories that are currently within the borders of the Republic of India*', (Abraham 2012:125). Understanding the capability of utilising the Diaspora, the Indian government has established the Ministry of overseas Indian affairs in 2005, (Abraham 2012:134). The role of the Indian diaspora has also been considered to be a key factor in allowing Indian official and private establishments to have interaction with specific areas of the world, (Bhojwani 2014:35)).

Currently, the largest diaspora of Indian origin is within the Persian Gulf states where a large number of Indian citizens work in the health and education sector as well as the unskilled labour sector. According to Abraham, (2012:135), the Persian Gulf considers Indian citizens or diaspora as developmental partners, as traditionally most of Indian diaspora have integrated into the local social system. The diaspora has expanded the scope of India's soft power by showcasing its culture and social values (Abraham 2012:129). This is particularly important since the Indian diaspora is considered to be the more preferred migrant community in the Persian Gulf due to high quality technical expertise, capacity to adjust the social lifestyle and a reputation for conforming to the regulations of the host country, (Abraham 2012:129). However, within the Persian Gulf region, the biggest contribution of the

diaspora has been to support the economic development of the state by way of remittances, (Abraham 2012:128).

Considering its importance the Indian state has created several initiatives to support the diaspora in the Persian Gulf region:

- (i) An extended insurance scheme for overseas workers in Dubai in 2008
- (ii) The creation of a monthly magazine, India matters by the embassy of Indian in Dubai 2011
- (iii) The appointment of a senior diplomat, Chinmaya Gharekhan as a special envoy to the Persian Gulf region to promote cooperation in trade and investment, education, culture and tourism
- (iv) The establishment of a public diplomacy division of the Ministry of external affairs, New Delhi in 2006 and the creation of a 'know- India' program.
- (v) The creation of the Pravasi Bharatiya Divas programme for non-resident Indians

Similarly, Indian diaspora in the United States have also been used as conduits to drive the relationship between both India and the US, (Borah, 2014:69). In 2014, the appointment of ambassador Richard Verma (the first Indian American to hold the post) as a next US ambassador to India emphasized the importance of the Indian Diaspora.

Historically while the Indian state may have ignored Africa, the Indian diaspora has always been on the continent and played a vital economic role in developing parts of Africa. The success of the diaspora in Uganda and the subsequent collapse of its economy following the expulsion of 45,000 Indians in 1972 are examples of how the Indian diaspora have contributed to Africa, (Pham 2010:4). Within the Kenyan context, the role of the Indian diaspora is quite unique in that many Kenyan Asians have been integrated into the cultural as well as political context of the Kenyan state. This itself is a differentiating attribute that the Indian state can utilise. Interviewee, KE5 indicated that African Kenyans do not feel threatened by Indian Kenyans due to the fact they have a longer historical presence in the continent as well as the fact that many of them have experienced the same living conditions as African Kenyans. However, the recent influx of Chinese immigrants has created specific tensions. Many citizens have perceived that the Chinese government in association with the Kenyan government is promoting immigration of Chinese citizens into Kenya for ulterior motives, (KE5). The interviewee feels that most of this tension is due to the Chinese model of doing business. During infrastructure contract, almost 100% of the workforce is imported from China and work in eight-hour shifts under tight security conditions and may have no

contact with the local population. Given that Kenya has a high level of domestic unemployment, there are tensions some of which have been directed at Kenyan Asians as well. Another interviewee, KE7 from Kenya's sovereign wealth fund supported this view by saying that many companies in Kenya are driven by the Indian diaspora were more entrepreneurial than African Kenyans. Kenyan Asians of Indian origin dominate the largest of the construction companies as well as a large chunk of the manufacturing sector.

In spite of the importance of 'diaspora' as potential resource, interviewee (KE8) did not think that India has leveraged its diaspora well enough, for it to be considered to be a resource of the state. Most of the state's engagement with diaspora is not at the state level but is rather at the individual, corporate or cultural or religious level, (KE8). Although the Indian state *'does have a soft power story to tell in Kenya and by extension in Africa, it has failed to do so'*, (KE7). According to this interviewee, the diaspora and the Indian state expertise in organising 1 billion people and emerging as an economic superpower as a result could have been exploited more effectively if the state was willing to do so.

4.7.8 India as a balance to the resource seeking Chinese state

Although it is perceived to be a new entrant in institutional support resource seeking strategy, the Indian state increasingly been seen as a counterweight to China's existing actions. In Africa, India is being seen as a possible balance to the Chinese interest in resource position, (Large and Patey, 2010:9). An instance of this happening has been in Sudan. In 2002, the then government of Sudan lobbied against both Malaysia and China to give the Talisman exploration concession to India's OVL. India was also allowed to build a pipeline from the Khartoum refinery to export terminals at Port Sudan (Large and Patey, 2010:9). In recent times, interviewee, KE7 has also seen large interest from Indian companies within the real estate development. An interesting aspect of the importance of the Indian diaspora was contributed by KE7, who admitted that while the government would prefer to give infrastructure contracts to an Indian company, it was the Chinese companies that want most of the contracts purely based on the low price. Chinese companies could offer up to 30% discount on large infrastructure projects.

4.7.9 The Intangible resources within the Indian state

From the norms and values of the state as resource, this study asked the respondents about the nature of intangible resources that a state could deploy in resource seeking. The following intangible resources of the Indian state were indicated from the interview. During the interview process in Kenya, the researcher asked several of the interviewees what they thought of 'India' or 'Indianess' This was in a bid to understand it could be perceived as an

intangible resource for firms of Indian origin. The following paragraphs are in response to the question.

4.7.9.1 The perception of the Indian state as a resource

In order to define how different the Indian state is perceived Africa, one needs to consider the historical narrative. The African continent has seen intervention by many Western states particularly around 1960 when several countries were broken up to help the colonial interests, (IND11) and the new Asian states like India that are seeking assets suffer from this perception, a state that seeks to extract the resources of Africa. However, the reality is that the intervention by many of the Asian states follows different paths. Resource extraction by the Chinese state in Africa according to IND11 does not follow the forced resource extraction path. Instead, China is perceived to follow a less subdued approach of shoring up corrupt regimes that support its resource acquisition strategy but will not seek to control these regimes. Interviewee (KE6) had also supported this view by stating that Chinese companies heavily supported by the government to specifically seek strategic resources as well as create markets are now been perceived as 'extractors'. On the other hand, he admits that Indian firms that have operated in Kenya are seen as driven by individual, economic and corporate goals, instead of conforming to a specific national objective. The Indian firms that have been operating in Africa have always done so with a low aggressive nature, something that interviewee KE6 calls '*the Indian psych of doing business*' and are not necessarily perceived to be 'extractors' of resources.

The Indian state is perceived to have goodwill in Africa that it can deploy for resource seeking activities according to Pradhan (2012:291). Some of the elements of this perception of goodwill as indicated by the author are:

- (i) India's development centric approach and the African countries admiration for India's rising economic knowledge power.
- (ii) The new institutional approach of engaging Africa through partnership summits like India Africa Forum, India Brazil South Africa initiative (IBSA) etc.
- (iii) Although the continent is wary of a second colonial scramble for Africa, India has escaped this perception.
- (iv) A number of African countries like Nigeria, Lesotho, Swaziland, Ghana, Uganda, South Africa, Morocco, Botswana and Namibia have expressed deep concern over cheap Chinese exports and a wider impact on employment, domestic products and bankruptcy in the region

- (v) The capacity building initiatives of the Indian state, hiring and training of local citizens in several infrastructure projects has improved the perception of the Indian state.

4.7.9.2 Indian National identity

India's developmental path intersects at several points in its history after independence with the idea of a national identity. According to Kohli (2012:3, the quest for a nation- state and the national market came out of India's ancient civilisation that was heterogeneous in terms of religion, caste and regional differences. Yet, soon after independence, for a nation that was born out of division on religious basis, a challenge for the federal government was the reorganisation of states on linguistic basis (Singh 2014:59) and its threat to the idea of a 'unified Indian identity'. Although institutional deficiencies and bureaucratic inefficiencies, coupled with the nature of the political system in India had slowed down the rise of a national identity, the rise and consolidation of power within the nationalist BJP party has brought this into relevance today. In recent times, the BJP party has brought to the front a new element of national identity, one that Singh (2014:63) calls '*Indian nationalism that is heavily tinged by Hindu nationalism*'

In the subsequent paragraphs, an examination of the uniqueness of India's national identity as a capability deployed in seeking resources is undertaken.

4.7.9.3 Anticolonial position and the creation of the Indian identity

According to Singh (2012:154), any national identity has several aspects that go into its formation. These are:

- (i) An economic life cycle sustains and provides a unifying character to community
- (ii) A cultural way of life
- (iii) It could be patterns of social organization that includes concept of respect, honour and humiliation and
- (iv) The experience and memory of living as a political community or the concept of a community having a sovereign state of its own

The beginning of the Indian state as a separate and distinct identity is attributed to Mahatma Gandhi wanted a total rejection of all cultural and material aspects of the colonial India-a part of the British Empire, (Berger and Ghosh 2010:594). By rejecting colonialism and by extension the rejection of the entire colonial apparatus including its bureaucracy, army and

economic structures, the new Indian state was to be built on economic, political autonomy as well as a new moral and social character (Berger and Ghosh 2010:594)

A key element of Indian independence and the dominance of 'Gandhi's nation' were a rejection of Western civilisation and the development of self-reliance through the principle of *swadeshi* or reliance on indigenous strength craft and language (Berger and Ghosh, 2010:595). The material aspects of the colonial system was also to be rejected by creating a new Indian state that would be identified with the virtues of poverty and simplicity, (Berger and Ghosh 2010:595). This system of state created and fostered national identity continued for as long as the Congress party was in power. However with the advent of coalition politics, that broadened the scope of democracy, Sud (2014:46), indicates that national identity slowly was replaced by multi-ethnic identity. Regional political parties created a new mixture of identity to satisfy their own constitutions rather than national interest. Thus, with the decline of the Congress party many regional parties used their bargaining power at the national level to form coalition governments and diluted the concept of national identity. In spite of this, the Indian state survived based on the coupling of its national identity to India's democratic credentials (Kohli 2012:9) and an abiding commitment to maintaining democratic principles even at the expense of national identity.

Another intangible resource that was often resorted to informally by firms in Africa was India's rich culture. As discussed earlier, the Indian state had already begun life on the basis of its unique cultural advantage. According to interviewee, IND8, the Indian state had cultural and soft skills advantage in Africa, which could be used in acquiring energy assets. Some of which had come from historical positions that the Indian state had been perceived to take. As an example India support for the anti-apartheid movement in South Africa, the non-aligned movement support for many African states as well as Indian stand the United Nations on anti-colonialism are amongst many of the state's soft skills. However, IND8 was not entirely convinced that the Indian state could deploy this effectively due to the lack of institutional support for any of these activities.

4.7.9.4 The historical narrative of the Indian state as an intangible resource

The historical narrative of the Indian states legacy of anticolonial nationalism can be considered as an intangible resource for firms that are doing business in the African region. To illustrate this, one needs to consider that Africa's relationship with India began with the end of colonialism when India's non-interventionist policy and support for anti-apartheid movement brought it closer to the new generation of leaders, (IND11). However, India failed to capitalise on these as most of the state's exploration of the potential that Africa could

offer. This is also confirmed by interviewee, KE6 who admitted that India had failed to take advantage of Kenya's long historical linkage with India to improve its economic activities in the region. The researcher to be that has perceived some of the reasons behind this failure is that the Indian state activity:

- (i) Was concentrated around English-speaking Africa,
- (ii) Is mainly deployed in areas with a sizeable diaspora of Indian origin and
- (iii) And in regions where the Soviet union was present and active due to India's alignment to Soviet Russia during the cold war, (IND11). In fact, at one time the Indian state had better relations with the ANC in South Africa and UNITA in Angola due to this factor, (IND11).

The historical narrative of India's model of foreign investment was addressed in a different context by interviewee, KE6. According to him, you could see India investing heavily within the English speaking part of Africa, the Commonwealth group of countries and with countries like India to which it is historically connected. It seems that India is pursuing a 'look west' policy while many African countries are looking towards the East due to the undemocratic nature of their governments, (KE6). The importance of India's historical narrative in Africa was also confirmed by the Ministry of foreign affairs and International trade in Kenya. According to interviewee KE10, there is a large element of historical closeness in the way that Kenya does business with India. Currently India is the fourth largest export destination Kenya, one of the largest sources of foreign direct investment into Kenya and also the largest exporter into Kenya. Part of this narrative comes from the fact that Kenyans of Indian origin own large businesses in Kenya. Many of them leverage personal, family and political networks to improve the trade between the two countries.

This chapter, has addressed the role of the Indian state tracing and revolution from independence to liberalization, its role in developing the economy as well as a regulating the energy sector in which this study is situated. The nature of the energy sector within the Indian state as well as the different roles the private and state owned firms play have also been identified. The causal ambiguity of the institutional approach to energy seeking within the Indian state was explored using examples of state and private firms seeking resources. The institutional approach was explored from three different viewpoints. The first was the *institutional approach*, the second was the *market-based approach* and the third was a *security-based approach*. This chapter also indicated a few of the intangible and tangible resources that the state uses in its resource seeking approach as well as how the state creates and drives institutional strategic choices. Finally elements of the legitimacy of the

state were also addressed. The next chapter will be looking at how the Indian state case study has contributed to the validity of the Resource based approach of the state.

Chapter 5 Discussion of the findings

5. Discussion of the findings

As defined in chapter 1, the key purpose of this thesis has been to extend and develop further the resource-based view of the firm (RBV), into the resource-based view of the 'state', (RBS).

This new conceptual framework is the key contribution of the thesis. Integrating the case study of the resource seeking Indian state into the existing model of the RBV of the firm has developed the conceptual framework of the RBS. The case study of the 'state' has already been developed in the preceding chapter, where empirical evidence from both the Indian state and the Kenyan state has been presented.

As evident from figure 11, the resource-based view of the state, which is the conceptual framework from the literature review, consists of eight elements that have been integrated from:

- (i) Resource-based view of the firm,(RBV)
- (ii) Institution-based view theory (IBV)
- (iii) The role of the state

The separate aspects of the resource-based view of the state (RBS) are:

- The role of the state in providing institutional context.
- The role of intangible resources of the state.
- The role of the state to provide institutional strategic intent.
- The ability of the state to create legitimacy for firms.
- The role of the state as drivers of strategic choices for firms.
- The ability of the state to provide resource bundles for firms.
- The causal ambiguity of the industry context in which resource seeking by the state is carried out,
- The role of organisations both private and state owned in seeking resources,

This chapter therefore will now discuss how the empirical evidence from chapter 4 has informed the theoretical approach that was presented as the resource-based view of the 'state' or the RBS framework in chapter 2. Primary evidence presented in chapter 4 is also confirmed in this chapter. This chapter will also indicate how secondary data supports each

of these separate elements of the RBS framework as well as their relevance within the framework.

The first aspect that needs discussion is that of the role of the state and the nature of institutional level context creation that allows actors including firms to pursue interests and make choices.

5.1 The role of the 'state' in creating an institutional context for resource acquisition.

Within the RBS framework, the role of institutions lies in the following aspects that have already been explained in chapter 2.

1. Institutions create the context for resource seeking and help to address one of the criticisms of the original RBV of the firm by Priem and Butler (2001:32).
2. The second component of the role of institutions is in its ability to create norms, values, formal and informal constraints for the resource seeking activity of the firm.
3. The third role of institutions within the RBS framework lies in its ability to create a form of legitimacy for firms that are involved in the resource seeking activity in a new market.
4. The final aspect of the role of institutions in the RBS is one of the roles of the state; to provide governance structures for the global energy market.

This study will now discuss each of the four separate aspects of the role of institutions within the RBS framework and from empirical evidence presented in their preceding chapters of this thesis.

5.1.1 The creation of institutional context for resource seeking

Although this study has already defined that the RBV of the firm focuses on the nature of resources and combination of resource capability bundles in various context and that the RBV of the firm has failed to explain a context in which resources and capabilities are created, (Barney 2014:26). The importance of the institutional context to a firm that is involved in resource acquisition has already been explained by several extensions of the RBV theory into the institutional aspect (please see page 49 for the extensions of the firm). The institutional context had been assumed by the extensions of the RBV to provide firms with context specific advantages as well as context specific knowledge that can prevent the erosion of the value of the resource,(Black & Boal 1994). The institution based view, (IBV)

had further refined institutional context into a dynamic interaction, where institutions create a context for firms to operate in and also determine the strategic choices that firms make in this context as well as inform on the organisational choices that firms make due to the specific nature of the industry and resource that the firm seeks. The institutional context, offers an answer to the question '*why do strategies of firms from different countries and regions differ?*' (Peng 2002:251). Although different institutional context and political orientations affect the deployment of resources and capabilities by a firm and is still largely unanswered by the literature on firm level, institutional level and political level of interactions (Lawton, McGuire and Rajwani 2013:2) and ultimately depends on the nature of the industry in which the context is required. The nature of the strategic choices that institutions offer firms due to the industry condition have been identified in section 2.4.4 of the thesis. This was in turn validated by the nature of the choices that the state offers its firms.

From this position, the researcher will now turn to the empirical evidence of the institutional context of the Indian state. Secondary literature had already produced evidence that the state was creating an institutional context for resource seeking. Appendix 5 has listed the following keywords that emerged from the coding of secondary literature to support the creation of an institutional context.

- (i) The creation of new markets in Africa,
- (ii) The use of India's historical closeness to the African continent,
- (iii) The context of a competition with the Chinese state in Africa for resources and
- (iv) The geographical nature of the Indian state's creation of strategic markets has supported the evidence of an institutional context creation by the state.

In addition, the renewed focus of the Indian state on resource seeking by focusing on multiple approaches; the creation of a security-based approach, the enhancement of the market-based approach and the renewed institution based approach all point to the creation of an institutional context for resource seeking, thus confirming the importance of the state as context creator. The primary evidence presented in chapter 4 has also confirmed that state, creates and supports an institutional context for resource seeking. In addition, the study has already evidenced that the Indian state has started providing firms with market information as well as strategic support to enter key geographical regions. Evidence has also been provided of support to key state owned and private firms to offset the liability that firms face when entering new markets.

However, with reference to the case study of the Indian state, the nature of the creation of the institutional context is still ambiguous. The study has presented evidence in section 4.3.2.3 that the nature of the institutional context of the state suffers from being driven by individual actors in the state rather than the state's institutional intent. The institutional structure of the state and the control mechanism that the state employs in regulating its energy sector is yet another factor that contributes to the ambiguity within the creation of the institutional context. This institutional ambiguity was recorded by Hiscock, (2015) to be a key reason why the Indian state appears to be slow in acquiring global energy resources in comparison to other states. Interviewee, IND9 also confirmed the dilemma of India's institutional context and its dependence on the regulatory power of the state. From the above discussion, the importance of the institutional context as an integral component of the RBS framework can now be confirmed.

5.1.2 Institutions and the creation of norms, values and constraints

The second role of the institution in the RBS framework is that of its ability to create norms, values, formal and informal constraints for the resource seeking activity of the firm. Interviewee, IND8 and IND9 had indicated that the Indian state based its global energy resource seeking on the basis, that it would conform to specific institutional norms and values that were rooted the state's role within global leadership as well as global governance structures. Some of this norms and values have been identified in section 4.7, where resource seeking of the state has been presented to occur within the context of the Indian state's democratic credentials, respect of international norms, position within the global governance debate as well from the value of the national identity and legitimacy of the Indian state itself.

Respondents in the Kenyan state have also confirmed the value of the ability of the state to create and deploy these intangible resources. Interviewee KE6 had suggested that Indian firms operating within Kenya, exhibited elements of specific norms and values that were different in other resource seeking states like China. The value of the Indian state in being perceived as a non-exploitative resource seeker by interviewees, KE12 and KE13 is another evidence of the value of the state's norms and constraints. This set of inherent value or goodwill of the state has also been confirmed to be a resource that can support resource-seeking firms by Pradhan (2012:291). Some of the valuable aspects of the Indian state that can provide these capabilities according to Pradhan (2012:291) are: the state's development centric resource seeking approach in Africa, the focus on capacity building initiatives while resources, the national identity of the Indian state from its anticolonial position and the historical contribution of its diaspora to the economic development of African states.

The ability of the state, to offer its norms, values and institutional constraints as a bundle of resources to firms that it supports lies in the ability of the state to act as a container of nationally distinctive culture, practices and social norms, (Dicken 2011:172). The importance of this container of national context has been explored in literature as one of the success factors of the East Asian developmental states. The Asian value system has been suggested to be valuable in that it forms a contrast to other value systems in the world by Dicken (2011:176), although whether the Indian state conforms entirely, to this model of the value system is still debatable. That the state offers both formal and informal constraints to its firms has already been identified in the nature of the developmental state in India. Formal constraints have been explored in this thesis in the structure of the energy sector of the Indian state and the control of the state over both state-owned as well as private firms. Empirical evidence from interviewee, IND14 has also confirmed existence of formal constraints on firms that seek resources.

Having evidenced that institutions of the state can create valuable resources in the form of its norms and values and constraints, the study will now address how these translates into the creation of legitimacy for firms.

5.1.3 The ability of institutions to create legitimacy for resource seeking

Although, given that the focus of this thesis is on the state, legitimacy of transactions has been reported to have been practised as early as AD 100, by trade guilds that used legitimacy and norms of religious practice to guide business practices during the decline of the state in the Mauryan empire, (Mitra 2007:17). Thus, legitimacy in any form can create boundaries for resource acquisition activities and provide the answer to yet another question in international business, '*what determines the boundary of the firm or its scope?*' (Dunning and Lundan 2008:573). With the focus of the firm on the accumulation of assets and knowledge within an industry and later into the operational boundaries as set by the multinational enterprises (Dunning and Lundan 2008:573), the legitimacy of state and its institutions can provide an understanding into how a combination of institutional legitimacy and other tangible resources can enhance the competitive advantage of firms.

Within this thesis, primary evidence has pointed to the state using private firms for resource seeking in political sensitive regions, (IND11). This has been assumed to be a mechanism by which the Indian state protects its institutional legitimacy while at the same time obtaining resources from this market. The legitimacy of the Indian state can be considered to be a key

differentiator in the state's market based approach towards energy seeking as indicated in section 4.4 of the thesis.

This therefore suggests that the Indian state considers its legitimacy, to be a valuable capability that can be deployed in resource seeking strategies. Within the institutional view, legitimacy of institutions have already been explored by Scott (1995) and North (1990) to include the ability of state political actions in creating entry barriers as well as opportunities for resource acquisition activities. The ability of the legitimacy of the institution to be combined with form level resources to create new forms of resource capability bundles is another component of the way the legitimacy of institutions can contribute to new resource creation. The legitimacy of institutions of the state can also be used to answer another fundamental question in international business, '*How does a firm create and maintain a particular market position using the deployment of resources and capabilities in a socially complex process*' (Barney 2014:25).

In order to understand the specific value of the legitimacy of institutions and by its extension the state, the specific context of the Indian state needs to be further explored. This study has already presented evidence of formal and informal constraints that the state uses. The legitimacy of the Indian state has been explored in terms of its democratic credentials, governance legitimacy (section 4.7.1), and unwillingness to engage in exploitative resource extraction as well as its projection of an alternative, non-aligned approach in international relations. All of these aspects have contributed to the legitimacy value of the Indian state.

However, it is the ability of the Indian state to act, as a supplier of legitimacy to other states that this researcher would argue, is the most important and valuable aspect of the state's legitimacy. The ability of this aspect of the Indian state (explored in detail in 4.7.4) to be considered as a new form of resource capability bundle has also been identified by primary evidence from interviewees in the Kenyan state, (KE5, OT2, KE12 and KE13). The legitimacy of the Indian state can also be considered to be a differentiating resource that can be used by its firms to compete with firms from other resource seeking states as indicated in section 4.7.7 of the thesis.

Having reinforced the value of institutional legitimacy in the resource-based view of the state, the study will now address how this can be combined with governance resources.

5.1.4 The role of the state in providing governance structures

Governance is one of the attributes of the state and this has been explored in section 2.5.2 as a political settlement of the state. The state is expected to provide governance as part of its engagement with social level, (Fritz and Menocal, 2007). The effectiveness of its government structures provide its acceptability by other states and this is key to this study is assumption of the role of governance as a provider of capabilities.

The governance attribute of the state also provides its firms with political resources that can be deployed to support these firms within the resource-based view of the firm. One of the advantages of political resources lies in its ability to insulate firms from competition according to Lawton, McGuire and Rajwani, (2013:1). Following on from this argument, the researcher would like to consider that good governance attributes of a state can provide its firms with a better resource capability bundle that can help these firms to differentiate their activities within markets that would accept the governance attribute of a state as the resource. However the value of the state's governance attribute as a resource depends ultimately as discussed above in a market that will accept its value or in an industry, which lacks governance. This study has in section 2.4.4 demonstrated from the industry based view of the energy industry, where this thesis is situated that the industry lacks transparency of transactions as each state determines its energy security policy within its unique institutional context . The industries also lacks governance structures as most of energy asset acquisition processes by states, lie outside of the state's territorial remit and is often subject to a multitude of approaches, many of which may not conform to governance regulations. At the global level, neither states nor international institutions can regulate the global economy, (Scherer and Palazzo 2011:900) and the concept of global governance is assumed to be one in which states, business firms, international institutions and the larger society can contribute to. It is this particular aspect of global governance in which the role of the Indian state can fit in particularly in an industry context such as the global energy market.

As the world's largest democracy, the Indian state has the ability to provide its firms with the legitimacy of good governance as a resource that can be deployed in emerging markets like Kenya. Interviewee, KE1 had indicated that the governance legitimacy of the Indian state was highly valued by several governments across Africa. This was seen to be a key differentiator between both the Chinese and Indian states resource seeking approach by another interviewee, KE6. Another interviewee, KE5 who claimed that at many international platforms, the Indian state specifically chooses positions from where it can project legitimacy, has already confirmed the deployment of this resource by the Indian state. Thus,

the Indian state is assumed to use this resource to be able to manage its resource acquisition strategies across many developing markets.

By exploring the four separate aspects of the institutional context, empirical evidence has suggested that the institutional context has provided value to justify its inclusion in the RBS framework. The study will now address the second component of the RBS framework, the role of intangible resources of the state.

5.2 The intangible resources of the state as a capability

Intangible resources within the RBV of the firm are considered to be resources that are harder to understand, an observable and difficult to quantify, (Peng and Meyer, 2011:102). In addition, intangible resources can be extremely diverse in nature and firms may only need privileged access to these intangible resources to make use of it according to Dahan, (2005:10). However, the value of intangible resources is not always clear within the RBV approach. The inability to measure both intangible and tangible resources has also led to the failure of empirical test of the RBV, (Molloy *et al.* 2011:1497). The assumption that intangible resources exist and that extensive critical research is needed to unravel how intangible resources can contribute to resource bundle combinations has been suggested by Rouse and Daellenbach (1999).

This study focuses on the intangible resources of the state as evident from empirical findings. According to the RBS framework, intangible resources are valuable due to the following attributes:

1. Intangibles do not deteriorate over time
2. Intangible resources can conform long-term benefits to firms
3. Intangible resources are difficult to understand and exchange and thus more valuable to firms that possess them
4. Intangible resources can offer multiple benefits to multiple firms in the same market
5. The process of intangible resources creation of course through complex social and organisational processes

The Indian state, the institutional unit of analysis for this study is used to discuss each of the five attributes of the intangible resources aspect of the RBS framework.

5.2.1 Intangibles do not deteriorate over time and offer more value as resources

In order to understand the value of intangible resources over time, one needs to look at several aspects of the Indian case study to understand what the key intangible resources of the state are. The historical narrative of the Indian state through its cultural lens, the actions of its political strategies, the economic contribution of its diaspora, its soft power attributes, the ability of the state to act as a supplier of legitimacy to other states as discussed in section 4.7.4 and the legitimacy of the state which has been discussed in section 5.1.3 can be considered as the intangible resources of the Indian state. To consider if each of these intangible resources can be treated on its own as a valuable resource has proved to be difficult from the empirical evidence. Although, the study has presented evidence of the existence of these resources as well as some examples of its acceptability in the Kenyan market, measurable evidence is still elusive.

5.2.2 Intangibles of the state offering long-term benefits to firms

However, the value of the intangible resources of the Indian state to this researcher lies in the unique resource bundle combinations that the intangible resources can offer to potential firm. Some examples of intangible resource bundle combinations that can be seen in the case study are listed below.

- (i) The new institutional approach that the Indian state is using to mobilise both state owned firms, its private firms as well as elements of foreign-policy deployment can be treated as an example of a resource bundle combination. Interviewee, KE8 had already implied that one of the success stories that the Indian state could promote in Africa, was its successful mobilisation of over 1 billion people in creating its economic success. The value to firms of such an intangible resource, possessed by the state could lie perhaps in a more efficient policy decision or privileged access to the state's institutional approach, which in turn might create an entry barrier for other firms in the same market.
- (ii) Another example of an intangible resource bundle combination lies in the creation of strategic factor markets in which firms can seek resources. These strategic factor markets are created by the combination of foreign-policy deployment, geopolitical engagements, energy diplomacy and other international engagements of the state. As indicated above, this could provide firms with the ability to create entry barriers to new entrants in the same strategic market.
- (iii) The process of deploying a security-based approach in energy asset acquisition can also be another example of an intangible resource bundle. By deploying a security

approach, the state could imply both hard and soft power aspects, which in turn can protect its firms from competition particularly within strategic factor markets.

- (iv) Yet another example of an intangible resource bundle is the deployment of the state's soft power attributes. However evidence is lacking how well this can be a valuable resource in spite of the evidence from several interviewees in the Kenyan state that India soft power could be a potential intangible resource.
- (v) The value of the state's diaspora particularly for a state that has over 20 million people spread across 33 countries¹⁴ is an intangible resource that could be valuable as a source of market information for firms seeking assets in new markets. Interviewee, IND9 had indicated that the Indian state was moving towards using diaspora in acquiring energy assets. Several examples of members of the diaspora like Mohan energy, Sterling global resources and Lakshmi Mittal being used have been documented in the study. Linking diaspora resource with the intangible aspects of their economic development of several African states or as in the example of the role of the diaspora in the Persian Gulf region (in page 191) can provide examples of how this resource bundle combination is a source of capability to firms.

5.2.3 The deployment of intangible resources are difficult to understand and exchange

Using the case study of the Indian state, the study has shown that although intangible resources exist within the state and several examples have been documented the exact process of how these resources are deployed is still elusive. Interview respondents have confirmed that the Indian states possess several bundles of resources. In the discussion about, several examples of this resource bundle combinations have also been documented. The inherent inability of a critical study like this thesis to explain how the intangible resources of a state can be deployed, leads to the assumption that the difficulty of understanding how a resource works, can lead to it being valuable for firms that have privileged access to the resource. This thus supports one of the key tenets of the RBV theory; resources that are difficult to understand are more valuable to firms that understand them.

5.2.4 The ability of intangible state resources to offer multiple benefits to multiple firms in the same industry

The study has explained what intangible resources are present in the Indian state and how this can offer competitive advantage to a firm. It has also addressed that many of the intangible resource deployments are not clear and hence valuable to firms that have

¹⁴ Source: www.indiandiaspora.nic.in

privileged access to the resource. The institutional approach in which the state deploys elements of its intangible resource into policy decisions is a method by which it offers the intangible resources that possess to multiple firms that have been selected for its resource acquisition strategy. The importance of this process to firms has been documented in Dahan (2005:13) as examples of the need for firms to mobilise resources-based on their knowledge of the institutional approach. Firms have been argued to compete on the basis of legitimacy competition to a pair more legitimate than their political rivals in order to access the intangible benefit of associating with an institution's goals and objectives, Dahan (2005:15). Thus, although unquantifiable the intangible attributes or resources of a state are the key to creating a competitive advantage in a market. This then brings us to the concept of how intangible resources are created through socially complex process.

5.2.5 Intangible resources are created by the state through complex social and organisational processes

One way, a state creates and deploys its intangible resource, is by the process of selecting specific firms to execute its national objective. In this study, this has been evident in section 4.2, where the Indian state's national objective of energy security has been described as a process of selecting specific firms, both state owned as well as private. In turn, to become selective, firms compete among themselves, to gain access to the states intangible resource. Firms try and gain access to the state stakeholders by contributing to political campaigns as well as supporting key politicians. In a vibrant, democratic state like India, the process of lobbying by firms can be seen as an example of the complex social process of getting access to the state's resource and capability bundles. This study has already evidenced the resultant crony capitalism and corruption from the use of private firms in India's resource seeking approach in section 4.3.5.3.

The existence of a socially complex process, in creating intangible resources of the state is evident from table 5 of the thesis, where interviewees responded ambiguously and disparately to questions on the Indian state's institutional support for its resource acquisition approach. The other evidence of a socially complex process behind the states intangible resource can be seen in section 4.7.8 where different aspects of perceptions of the Indian state as seen. For some interview respondents the national identity of the Indian state, the Indian psych of doing business, the anticolonial position of the Indian state and the historical narrative of how this Indian state had evolved to its current market position, are all aspects of this process. The Indian state's investment in training future African military leaders in its defence Academies is another example of its intangible resource. A former military leader of Nigeria, Olusegun Obasango, trained in India's national defence Academy, was a key

advocate of Nigerian oil companies engaging with India, during his tenure as president, (Pham 2010:12). India was also responsible for the upgrading of the Nigerian defence Academy into a fully-fledged military University during his tenure.

In terms of including the role of intangible resources into the RBS framework, it is still relevant given that the study has documented several examples of a state's intangible resource as well as intangible resource bundle combinations of the Indian state. Our inability to explain how the intangible resource of a state is created provides the evidence of its value to the RBS framework.

However, a more critical analysis perhaps in future studies might lead to a better understanding of how the complex social process of creating state specific intangible resource basis. Existing literature (Eisenhardt & Schoonhoven 1996, Teece, Pisano, & Shuen 1997, Maritan and Peteraf 2011, McWilliams and Siegel 2011) on market-based and non-market resource bundles combinations have contributed to our understanding of some of the factors that enable firms to create specific market positions, including the intangible resource of a state. In line with the position of Barney (2014:26), the study would like to confirm that although very few studies have explained how complex resource bundle combinations can create a competitive advantage, it is still important to firms that are dependent on adhering to a state's national objective, for their success factors.

From the role of intangible resources, the study will now discuss how the state drives and creates strategic choices for its selected firms. There are two aspects to the argument that the state creates and manages the nature of strategic choices for firms engaged in resource seeking activity. One part of argument of the within the RBS framework, is that the state creates an institutional strategic intent, one that is derived from the nature of its political environment, the industry determined choices as well as a combination of the constraints that shape the strategic intent. In turn, the institutional strategic intent creates or drives how specific firms operating within the ambit of the state are forced to make choices in specific factor markets. These firms as part of the institutional strategic intent are selected by the state and provided with resource bundles to enhance the competitive advantage in a strategic factor market.

5.3 The provision of strategic intent by the state

One of the criticisms inherent in the RBV of the firm is that it lacks focus on the context in which firms interact. This was rectified by the institution based view, (Peng *et al*, 2008) in

which context was described as being centred around the action of the state or in other words the collective institutional framework that impacts on both domestic as well as international firms. This is in contrast to the original theory of the firm, (Penrose 1959) which assumes that firms will have no interference from the state. Thus, we understand that institutions determine the context in which resource seeking happens and therefore the nature of the institution's strategic intent needs to be clarified.

Within the conceptual RBS framework, provision of strategic intent by the state for its resource based approach, lies within three separate aspects.

These are:

1. The creation of institutionally determined strategic choices.
2. The creation of a strategic intent to make strategic choices.
3. The combination of formal and informal constraints that determine the nature of the strategic intent by the state.

5.3.1 Institutionally determined strategic choices

The literature on internationalization has provided examples of why institutions determined strategic choices. Emerging market multinational enterprises (MNE)s have been argued to obtain ownership advantages from their country specific advantages(CSA) as well as the firm specific advantages(FSA), (Sun *et al.* 2012). The institution's strategic choices are used by the firm to reconfigure the global value chain based on the state driven national objective.

The nature of the institutionally determined strategic choices within the case of the Indian state as described in this thesis lies within the following aspects.

- (i) The nature of the regulatory state in India's energy sector as described in section 4.2 this evidence that the state determines how firms engage in its resource seeking approach have these choices. By determining which state owned or private firms are selected to engage with its institutional objectives, the state determines a first level of strategic choices.
- (ii) The second aspect lies in allowing resource-seeking firms in its energy sector, a choice of markets to compete in.
- (iii) The third aspect is in the choices of the level of institutional support that the state offers firms as evident from the interviews with actors in the Indian state. This study

has already evidenced examples of companies like ONGC and the Mittal group being offered choices in terms of incentives and government support.

In 2005, the Indian Prime Minister said'. ...There is still some distance of firms have to travel to *catch up* with global competition' and expected of Indian oil and gas public sector undertaking (PSU) to' *think big, think creatively* and *think boldly* in making use of global opportunities' Dadwal and Sinha (2005:521). This was a clear admittance of the fact that India was slow in 'catching up' with China in acquiring energy assets and lacked a focused, institutional resource driven approach.

5.3.2 The creation of the strategic intent of the state

In the case study of the Indian state within this thesis, a clear institutional strategic intent is evident from the primary findings. The nature of the strategic intent of the Indian state lies within three separate directions that the state is moving towards in his search for energy security. To recap, this combines elements of its new institutional-based approach that has been described in section 4.3 with elements of its new security-based approach, described in section 4.5 with that of the strategic choices and specific drivers of the Indian state that constraint its institutional strategic intent.

The strategic intent of the state is also evident from shifting elements of its foreign policy towards combining energy diplomacy with institutional support mechanisms as described in section 4.3.6. In its bid to diversify energy supplies from its traditional markets, the Indian state has shown that it is willing to make political shifts by aligning itself with the US in terms of policy matters, preparing to compete with China for energy resources and assets as well as empower its national champions.

The use of its growing security based approach; particularly within the context of its power projection into the Indian Ocean provides another element of the strategic intent of the state. This researcher would like to believe that given its non-interventionist approach historically, the security-based approach of the Indian state forms part of the new institutional intent against foreign interdiction cutting off its energy supplies. The Indian state's dilemma to stay close to its non-violent policy as well as the needs of the contemporary rising power to project both 'hard power' in proportion to its economic size had been previously reported by Pham (2010:10). The Indian state's expertise in peacekeeping operations of the United Nations, being single largest contributor to peacekeeping operations in Africa, lends

credibility to the Indian state's commitment to sharing global security burden, Pham (2010:11) as well as protecting its strategic intent.

5.3.3 The formal and informal constraints of the state's strategic choice

The study has already reviewed on the discussion on norms and values of the Indian state that resource-seeking choices of the state are made in terms of the state's need to preserve its legitimacy. Some of these formal constraints have come from its political system, initial focus of the state on a developmental state model of regulation as well as the state's reluctance to engage in activities outside of the international norm. These constraints on the state strategic choice have a major impact on the firms as well. The perception that the Indian state has formal and informal constraints has already been evidenced in the case study.

From the institution strategic choices, the discussion will now move towards the process of how the state, creates legitimacy for firms.

5.4 The state and creation of legitimacy for firms

Within the RBS framework, the concept of legitimacy of the state is its ability to provide firms with the 'legitimacy' resource that can help it in a new market. State legitimacy is based on national identity, the specific attributes of the state and from the good governance record of a state. The next set of paragraphs will discuss each of these aspects of 'legitimacy' resource.

5.4.1 The access to the legitimacy of the state

This study has already defined that the legitimacy of state as represented by the case study of the Indian state lies within its democratic governance attributes, National identity as well as elements of behaviour in international for a. Evidence from secondary literature coding (Table 5) has also showed that the Indian state process and deploys legitimacy. Interviewees have already confirmed that in a bid to differentiate its resource seeking approach, the Indian state was trying to project its long term democratic credentials as well as the legitimacy of its role within global international relations scenarios (IND8). Another interviewee had indicated that the Indian state's energy acquisition was constrained by an emphasis on ethical negotiations, (IND9). That the state values its 'legitimacy resource' can be seen from its use of private firms to seek and acquire assets in political sensitive regions of the world (section 4.4). In addition, the creation of separate working groups for both state-owned and private firms lends support to the idea that the state considers, the 'legitimacy resource' as a source of support to firms in new markets.

So how then does the state manage the access to these resources? Evidence from the thesis has suggested that, the Indian state specifically chooses markets as well as the firms to operate in markets. Evidence has been presented of companies like Reliance industries, Mittal group and ESSAR operating with the blessings of the state.

The nature of the level of support to these firms is still not completely understood along with how these firms accept the value of the legitimacy resource. Multinational corporations have been known to explore the boundaries of organisational legitimacy given that in many cases the attempt to engage in several functions of the state. The ability of multinational corporations to perform their activities well embedded in multiple relations with multiple stakeholders may force the MNC into conflict with the legitimacy of the state, (Scherer and Palazzo 2011:914).

In the context of this study, what most respondents have agreed on is that the Indian state still regulates its energy acquisition strategy and by extension regulates most of the legitimacy of the firm. This makes it valuable as a resource for Indian firms.

5.4.2 Legitimacy from India's national identity

India's national identity has been perceived through primary evidence to be a positive resource that adds to its legitimacy. The evolution of its unique national identity, one that has focused on non-interventionism and non-alignment as well as on idealism and morality (section 4.7.5) can be perceived as a resource. The creation of India's brand of nationalism from its independence, to its focus on self-reliance and integration into the global economy in 1991 and all elements of the state's National identity. The value of its national identity as the potential asset for firms that are seeking resources can be evidence from the perception of the Indian state by many of the respondents, different from other resource seeking states. However, this researcher would like to argue that the key difference in India's legitimacy from its national identity lies within its ability to supply its legitimacy to other states.

In the context of the energy industry, where many of the global energy resources lie in states with varying aspects of state legitimacy, association with the Indian state can allow the states to access its legitimacy resource.

5.4.3 Legitimacy from good governance

As the world's largest democratic state, India has a unique position in that it has maintained its democratic credentials in the South Asian region, known for political instability as well as failures of democracy. This unique governance resource has allowed the state to follow its developmental agenda with a better record of human rights and limited human costs, (Kohli, 2012:9) and has been perceived to be a valuable resource. Although the good governance attributes of the Indian state has been perceived to be a constraint by interviewees (IND2, IND9 and IND11) for resource seeking in several contexts, it has been perceived to be a positive and valuable resource by interviewee, KE6. Perhaps, in the context of many resource rich states signing up to the extractive industries transparency initiative (EITI) process, the governance resource can be deployed to support Indian firms.

5.4.4 Legitimacy from the attributes of the state

This study has already demonstrated in section 4.7 that the Indian state has several attributes that can be valuable resources.

Some of these are:

- 1) Its democratic credentials
- 2) The state's resource acquisition approach based on international norms
- 3) The soft power attributes of the Indian state
- 4) Its unique national identity
- 5) The positive value of its diaspora

All of the above attributes of the state can contribute to its legitimacy. Evidence of the use of the diaspora in seeking energy assets in specific parts of Africa has already been documented in this study (section 4.7.6) and the combination of all of these attributes as the mode of differentiation for the state's resource-based approach has also been evidenced.

Moving on from the creation of institutional context, into intangible resources of the state, the creation of an institutional strategic intent as well as the ability of the legitimacy of the state to be used as a resource, the study will now examine how all of these components of the RBS framework work to create drivers of choices for its firms.

In the next set of paragraphs, the discussion will centre on how the state creates and drives its choices, how it provides resource bundles that can reduce the uncertainty for firms in a new market.

5.5 The state as a driver of strategic choices

The Indian state has through the case study approach in chapter 4 been perceived to be one that is driving the strategic choice for firms involved in the resource acquisition global energy assets. The role of the state in managing its economy, its ability to regulate and manage business groups through the creation of specific policies, has already been discussed in section 2.5.3. In addition, the institutional strategic intent has already been discussed in section 5.3.2. The strong hand of the Indian state in its energy sector has also been defined in section 4.2. The evidence that the state is actually driving strategic choices comes from primary evidence that the Indian state was deliberately creating strategic factor markets for its firms to operate in. The emphasis on Latin America and the African continent as new markets for resource seeking had been emphasised in section 4.3.3.1 as a mechanism that supports the state's role as the driver of strategic choice. When combined with its regulatory power, the state clearly demonstrates that it uses an element of national interest to create choices for firms.

However as indicated from Table 6, there is no clear understanding of a uniform policy that is driving the strategic choice of the state. What the study has demonstrated is that the state response to specific resource acquisition contexts to deploys a combination of policies and mechanisms that help reduce the uncertainty for its state-owned as well as private firms. In addition, different parts of this thesis have indicated that the Indian state provides specific resource bundles to selected firms, to help it with overcoming the entry barriers and liabilities of the foreign market. These resource bundles can range from determining strategic factor markets in which the firm will operate to the process of operating within the market. While some of this resource bundles can be quantified, this study has also addressed how the role of intangible resources of the state, as evident in the case study on the Indian state has provided the ability to provide competitive advantage to its national firms.

5.6 The behaviour of the firm within the resource-based view of the 'state'.

In the resource based view theory of the firm, (RBV), a firm is assumed to consist of a bundle of productive resources as well as the ability to implement a strategy in which firms specific ability to deploy these resources can create a competitive advantage, (Peng and Meyer 2011:110). However, the RBV of the firm also assumes that firms take specific market positions which impact on its competitive advantage from these resources. In addition, the RBV of the firm also assumes that firms acquire or deploy resources in strategic factor markets as well as acquire resources that offer value to the firm.

From evidence in this thesis, the role of the state has been to provide the strategic direction for a firm to take specific market positions as well as to lend firms specific resource bundles that can create a competitive advantage for the firm. In the context of this thesis, the case of the Indian state was used to explore this argument. The evidence presented has shown that the strategic direction that the state has deployed in this particular case has been in forcing firms to adhere to one of three resource-based approaches. This thesis has already informed that the Indian state's institutional approach has been to deploy, (1) an *institutional-based approach*, (2) a *market-based approach* and (3) the *security-based approach*. Due to the strong regulation of the energy sector in the Indian state, firms have to comply with the strategic direction proposed by the state.

The second aspect of the RBV of the firm lies in the creation of strategic factor markets. In this thesis, evidence has already been produced that confirms that the Indian state provides direction as well as creates the fact of market for the firms to operate in. It does this by deploying multiple approaches as discussed above as well as creating an institutional context for the creation of the strategic factor markets.

The institutional approach of the state towards the behaviour within a specific factor market determines how firms deploy resource bundles in the market. Although the traditional argument of the RBV (please see figure 2) considers that resource bundles are deployed to achieve or protect a specific market position, in the conceptual framework provided in this thesis, the state determines the norms, constraints as well as opportunity cost of deploying resource bundles to protect the market position.

The behaviour of firms in the market is also conditioned by the state in the process of selecting specific firms, offering incentives for these firms to carry a state's objectives as well as providing these firms with the legitimacy of the state.

Finally, the last component of the resource-based view of the state framework is discussed.

5.7 The management of causal ambiguity by the state

The causal ambiguity of how the state provides or manages a specific industry has already been discussed in section 2.4.4, the industry based view of the energy industry, in which this thesis is situated. The study has shown that the global energy industry suffers from causal ambiguity is the concept of energy security is different across different institutional context. The study has also shown that the approach that each state deploys in pursuit of its energy strategy is not always clear and there are examples of non-market-based approach that

have been used in the industry. In order to manage the causal ambiguity, institutions provide strategic choices for the firms as well as provide governance structures to regulate the industry. But due to the globalisation of the industry and the fact that many energy assets lie outside the territory of a state, the deployment of institution's strategic choice is not always possible. What has been presented in this thesis is how the Indian state is attempting to manage the causal ambiguity of the global energy market. The thesis has argued that due to institutional constraints both formal and informal, the Indian state is trying to deploy a multi-method approach to ensuring its energy security.

From the above discussion, it is evident that this thesis has successfully defended the inclusion of the elements of the resource-based view of the 'state' framework by providing evidence from empirical findings. The discussion has also successfully defended the integration of these elements into the RBS conceptual framework.

Chapter 6 Conclusions

This study addressed a central issue, a gap in our existing knowledge, literature, analysis and understanding of international business practices. Whilst the role and operations of firm has long been a primary focus of research in Business Studies and Strategic Management, analysis of the role and influence of the state with respect to firms has been relatively under-researched. This thesis, therefore, asked the critical question of ‘how does this new the state impact on the operational behaviour of firms and what greater utility does this state role provide to firms in practice, particularly with respect to corporate and national resources acquisition? To investigate this core research question, the study identified, applied the well-established theoretical and methodological approach ‘the resource based view of the firm’, developing it further to incorporate and mainstream the factor of the state and elaborating an fresh analytical approach termed ‘the resource-based view of the state’. Focusing upon resources acquisition-specifically energy resources-reflected both the singular importance of this sector to national economies, but also worked well as a sector that could provide a strong evidence base through which to examine the wider state-firm relationships through the prism of a resource-based view of the firm and of the state and the institutional context of their relationships. A further aspect of the original contribution of this research is the case study of India and energy acquisition. Whilst there has been much written on the Indian state and energy and on Indian firms in this sector, there has been little written on the state’s institutional structures and processes and their impact upon India’s energy firms. By taking this dimension and embedding it in India’s African experience in Kenya, new empirical evidence was generated, contributing to new knowledge and understanding of this issue and question. The research offers fresh insights into the current pattern of state-firm relations and practices, in India, developing countries and emerging economies. It also provides a new basis for further research-especially through comparative analysis, such as India and China.

Overall, this thesis has sought to present a critical and in-depth understanding of the extension and successful validation of the resource based view of the state (RBS), a new and relevant extension of the resource-based view (RBV) of the firm, an important and widely used to approach within international business literature.

By incorporating, the role of the ‘state’ into the resource-based view of the firm, a new conceptual framework called the resource based view of the state (RBS), has been presented and validated using an in-depth case study of the Indian state. The RBS framework was successfully presented as a synthesis of three existing bodies of literature in international business; the resource-based view of the firm, the institutional-based view

theory and a critical understanding of the role of the contemporary resource seeking state, through the lens of the Indian state.

6.1 The Findings of the thesis

The thesis had set out to explore a deeper understanding of the role of the state in the acquisition of strategic resources by analysing the deployment of the various institutional levers of the state, institutional support mechanisms and the deployment of specific state resources to help in supporting the firms that supported energy security agenda.

In order to contextualise this problem, the Indian state was treated as a unit of analysis and a case study approach was undertaken to critically understand the resource-based approach of the Indian state. The role of the state, its impact on the operational behaviour of firms as well as the exact resource acquisition process was addressed in the thesis. The operational boundaries of the problem were set within the three primary research questions.

- I. The first research question addressed the nature of how the state deployed firms and agencies to meet a specific national objective. In this thesis this was achieved by focusing on the Indian state as it sought global energy resources as part of its energy security agenda. Analysis of the energy sector in India, supplemented with primary data from state policymakers as well as industry and academic contributions have shown that the state in India dominates the energy sector and also controls the process of energy asset acquisition. Evidence was presented of the selection process by which specific state and private firms are deployed in specific markets, the emergence of the new institutional context for resource seeking as well as key organs of the state that are involved in the resource acquisition strategy. Examples of specific deployment have also been presented to strengthen the empirical findings of this research question. The primary data from respondents within the Indian state were confirmed with analysis of interviews from key stakeholders in the Kenyan state. Thus, this research question was addressed.
- II. The second research question was to understand the nature of institutionalised support mechanisms that the Indian state provided its firms. Empirical evidence from interviews of key government officials had proved that the institutional support mechanisms was being revamped as the Indian state had realised that it could no longer compete with other resource seeking states with its historical approach. The

findings have demonstrated that while to a casual observer, the Indian state's institutional approach may appear ambiguous, evidence from the case study in the thesis have pointed to the Indian state deploying multiple approaches to achieving its energy security goal. The first of this approach is that of an institutional-based approach. The thesis has shown evidence that the Indian state has created a new institutional strategic intent to energise its traditionally myopic, corrupt and inefficient energy sector with a combination of political willpower, deployment of specific institutional approaches with new sources of financial capital. The institutional approach also presented evidence of a focus on long-term acquisition of assets as well as the role of the state in creating new strategic markets, for its firms to acquire energy assets. The rise of a new institutional strategic intent has also been explored within this approach and successfully evidenced from both primary and secondary data. The second approach is a renewed focus on the traditional market-based approach that Indian state had been using to acquire energy assets. The thesis has shown empirical evidence that both state-owned and private firms are increasingly been used and strengthened by the new institutional approach as well as a refocused market-based approach. Evidence has also been presented of a state's process of selecting specific private firms to meet its objective especially to enter markets that wear political sensitive. The third approach that this thesis has presented of the institutional support for these firms is the new security-based approach that the Indian state has been deployed. Empirical evidence using the deployment of the state's power within the Indian Ocean particularly to protect the global supply chain of its energy resources was introduced in this approach.

- III. The third research question was driven around the effectiveness of the institutional support of the Indian state. Using primary data from interviews held in Kenya as well as with key actors in the Indian state, the thesis has successfully demonstrated that the new institutional resource driven approach of the state is successful, offering a fresh analytical instrument to researchers. Using an exploration of different forms of intangible resources and attributes that the state is deploying including the use of diaspora, the states legitimacy based on its national identity as well as governance resources, the thesis has successfully demonstrated that the Indian state is actively deploying its intangible resources in supporting and creating a competitive advantage for firms within its energy acquisition objective. Evidence was also presented of how the Indian state was seeking to differentiate its resource seeking approach from other competing states.

6.2 The key contribution to knowledge

From the points made above, we can conclude that this thesis has successfully validated the RBS conceptual framework and addressed all of the research questions. The successful validation of the RBS conceptual framework, in the thesis, is contributing to the theoretical approach that was used as well as the quality of the primary data obtained in this study. The resource and findings of this thesis have contributed to a better understanding of how the resource-based view of the firm can establish an appropriate context for resource deployment. This key criticism of the RBV theory of the firm has been addressed by the rich institutional context that has been provided by the case study of the Indian state. In addition, the role of the state within a specific industry has also been critically examined and new insights into how the state behaves within the industry as well as within state-firm relationship context has also been presented. By providing original knowledge about these relationships, the thesis has also successfully evaluated the effectiveness of the state's driven model of institutionalised resources acquisition. Empirical evidence has also led to understanding the intangible attributes of a state and how the state deploys many of its intangible resources in combination with its tangible resources to achieve a specific goal.

Not many research studies can lay claim to having had senior institutional actors in the state as key contributors to their understanding. This thesis is one of the few that present rich contextual case studies that provide evidence of a contemporary resource seeking state's institutional approach as well as evidence of its deployment in another state using a cross-section of interviewees, from the fourth estate, academics from both political economy and strategic management, ambassadors, senior government officials, policy planners and advisers as well as private and state owned firms.

The State's support is so important to firms in new markets and has been the subject of several studies but has previously dealt with using insufficient primary evidence. In contrast, this thesis has contributed to a better understanding of how an emerging and rising power, as represented by the Indian state, is deploying multiple aspects of its institutional approach, to strengthen the competitive advantage of its firms in the global energy industry.

Further support for the findings of the thesis have come in recent media reports that have indicated that the Indian state is applying all the three approaches explored in this thesis. While seeking resources using the conventional market based approach, the state has also been reported to have deployed its security-based approach as well as a strong institutional strategic to engage with new regions of the world as it searches for new energy assets to feed its growing economy. The current government in power in India has made energy

security its key foreign policy initiative as it signs a bilateral deals with state that can provided with energy resources as well as develops its security capability, in order to project both soft and hard aspects of its military power particularly within the Indian Ocean region, to protect the transit of its energy resources.

Given that India is a widely expected to be the second largest economy in the world , the findings of this thesis is expected to find acceptance among policy planners, academics as well as firms that seek to understand the new institutional approach of the state .

6.3 Limitations of the study

Although the research explored previously unknown aspects of the state's resource-based approach, there are still several aspects of its intangible resource deployment that has not been addressed in the context of this thesis.

- I. One key aspect is that the thesis had focused on the institutional context of the Indian state and the unique attributes of the Indian state to make several assumptions of the resource-based view of the state (RBS) framework. Some of these attributes may not find universal application given that states are different. As an example some of the attributes of the Indian state cannot be explicitly compared with that of another state like the Chinese state or the Japanese state. While they may be similarities in governance terms, each state will have its unique set of attributes that contribute to its own form of the RBS framework. However, this researcher is of the opinion that the RBS framework is still in its infancy and has the potential to be extended into other institutional contexts, industry context as well as other theoretical extensions given that the RBV of the firm which forms the basis of the RBS is to generating new thought, after almost 3 decades in existence.
- II. Although the RBS framework had explored several intangible resources of the state, one of the key resources that the Indian state is exploring in recent times is that of its diaspora. Given the limitations of a PhD study, this thesis has not critically analysed how the role of the diaspora could be better integrated into the role of the state. However, given that that has diaspora studies is an important and highly productive part of the academic realm, the researcher expects that future studies using contributions from diaspora studies can yield better and empirical understanding of the RBS framework.

- III. The RBS framework has also relied on the governance attributes of the Indian state and may find limited applicability in many states that lack good governance attributes. However, given that most of the world is moving towards a consensus on good governance, there is an opportunity for the RBS framework to be extended into other governance initiatives.
- IV. Resource seeking by states has been prominent within the energy industry primarily due to its lack of transparency as well as its governance deficit. While the RBS framework is primarily situated within the global energy industry, there is no reason for it to be extended into industries where the state is becoming an active resource seeker.
- V. The RBS framework has not critically defined the state firm relationship in terms of the power of large companies like transnational firms and their impact on defining power structures, as it is not part of the thesis's remit. New forms of state firm relationships can enhance the RBS framework as well as provide new forms of understanding as the state becomes more relevant in global business.

6.4 The future

This journey of trying to understand the new resource-based approach of an emerging state like India has been insightful in extending our limited knowledge of how the state contributes to business relations globally. For a state like India which for most of its history, has appeared to be a reluctant superpower both in military as well as economic terms, its search for a new found institutional purpose will prove to be a fascinating subject for students of international business. It offers new directions and avenues for further research, especially through the extension of the present study to analyses such as that of India and China. For this researcher, the process of developing the RBS framework as well as establishing the validating of its applicability, has led to a renewed focus on understanding how the rising state is becoming one of the most critically-relevant factors in international business.

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Appendices

1. Participant information Sheet

Study Title

Resource based View theory of the 'state'. A case study of the Indian State seeking Oil Resources'

What is the purpose of the study?

The PhD thesis is an attempt to evaluate the resource driven global strategies of states like India in acquiring oil assets overseas. The research will attempt to evaluate how geopolitical dimensions, international business perspectives, historical affiliations, macro economical aspects and firm level strategic actions drive the actions of a state in international trade.

Why have I been approached?

For objectivity of the research, we need to involve stakeholders, researchers and any interest groups in Indian oil Industry as well within the Indian state. You have approached as you may work with an Indian oil company, the Indian State or have academic or professional interests in the oil industry.

Do I have to take part?

No!. Participation is entirely voluntary. If you change your mind about taking part in the study you can withdraw at any point during the sessions and at any time in the two weeks following that session. You can withdraw by contacting me on email and providing me with your participant information number. If you decide to withdraw all your data will be destroyed and will not be used in the study. There are no consequences to deciding that you no longer wish to participate in the study.

What will happen to me if I take part?

You will be asked a set of questions during a single, short (20minute) session during which your responses to the question will be recorded on a Digital Voice recorder. This is purely to help me note your answers as accurately as possible. You will complete the Interview in a private room on a one-to-one basis with the researcher.

What are the possible disadvantages and risks of taking part?

Some of the Questions that you will be asked to answer might seem challenging. This is deliberate, as this is part of my PhD work. You can refuse to answer any of the questions if you wish, and you can request a full breakdown and explanation of your response to the questions at the conclusion of the Interview.

Another possible disadvantage of participating in the study is that you may feel reluctant to see your answers in print at the end of the session.

What if something goes wrong?

If we have to cancel a interview session I will attempt to contact you as soon as possible using the method indicated by you on the consent form. You will receive research participation credits for any session that has to be cancelled.

If you change your mind about taking part in the study you can withdraw at any point during the sessions and at any time in the two weeks following that session by contacting me using the email address stated below. If you decide to withdraw all your data, will be destroyed and will not be used in the study.

Will my taking part in this study be kept confidential?

Yes. Only I will have access to the raw data. All the consent forms will be stored in a separate, secure (locked) location from the raw data itself. You will only be identified on the score sheet by your participant code number. I will only retain the raw data from the project until my final mark for my PhD Thesis has been given. They will then be destroyed. When the data has been entered into a computer file, your scores will only be associated with your code number and access to the file will be password protected.

What will happen to the results of the research study?

The results will be written up and presented as part of my PhD Thesis. If the results are novel, it may also be presented at academic conferences and / or written up for publication in peer reviewed academic journals.

Who is organising and funding the research?

The research is organised by [**SURESH GEORGE**], who is a PhD student at the Coventry University's Strategy and Applied Management Department. This project is not externally funded.

Who has reviewed the study?

The Faculty of Business, Environment & Society's Ethics Committee has reviewed and approved this study **AND** This study has been through the University Peer Review process and been approved by the Chair of UARC/RDS-C.

Contact for Further Information or any complaints

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The Consent Statement

Participant Reference Code: O11013

I have read and understand the attached participant information sheet and by signing below I consent to participate in this study.

I understand that I have the right to withdraw from the study without giving a reason at any time during the study itself.

I understand that I also have the right to change my mind about participating in the study for a short period after the study has concluded (insert deadline here).

Signed: _____

Print Name: _____

Witnessed by: _____

Print Name: _____

Researcher's Signature: _____

I have read and I understand the participant information sheet for this study.

☐

By handing this questionnaire back to you, completed, I am giving my consent for you to use my questionnaire answers in this research study.

☐

I understand that I have the right to withdraw my questionnaire at any point, but contacting the researcher using the details on the participant information sheet and quoting the participant reference code written at the top of this questionnaire.

☐

I have made a note of my participant reference code

☐

2. Interview questions (India)

Study Title

Resource based View theory of the 'state'. A case study of the Indian State seeking Oil Resources'

1. What do you think of the Indian State's institutionalised support system for its national oil firms?
2. How do you think the Indian State actively support these firms as they engage with Africa?
3. Are Indian oil firms operating in Africa using the Indian State's historical closeness to Africa to gain competitive advantage? Any other rationale
4. To what extent does State assistance help or hinder these firms in their competition with firms from other countries such as China?
5. How successful are these firms in meeting India State's objectives and how far is this attributable to the part played by the State itself
6. Is the Indian state trying to 'catch up' with other resource seeker states in Africa by seeking to differentiate its position as buyer with 'soft power' assets and ability to offer legitimacy?

3. Interview questions (Kenya)

Study Title

Resource based View theory of the 'state'. A case study of the Indian State seeking Oil Resources'

1. Is the Indian state pursuing a normative rationale rather than an economic rationale in seeking oil resources in Africa?
2. Are Indian oil firms operating in Africa, using the Indian state's historical closeness to Africa to gain competitive advantage?
3. Can the institutional support for resource seeking activity in Africa be correlated to sustaining or augmenting the emerging security and power needs of the Indian state?
4. Is the Indian state trying to catch up with other resource seeker states in Africa by seeking to differentiate its position as buyer soft power assets and ability to offer legitimacy?
5. Does the Indian state have been neo-liberalistic approach to oil resource seeking or is it driven by national interest and resource nationalism?
6. Can these be linked to its activities in the oil industry

4.Key words from Secondary literature survey coding

Key words/Code	Weight
The soft power attributes of India	33
Key State actors/Behavior	30
India's new drive in Africa	28
Role of the State/State Capitalism	27
Reasons for Market Entry	20
India- Historical Closeness in Africa	20
The threat of Chinese competition	20
The geographic nature of India Acquisition	18
Resource Nationalism linked to geo-political interests	16
India energy policy	13
The long-term value of the asset	11
Resource Nationalism	11
ONGC Videsh Limited	11
country-specific advantages	10
Foreign Policy	9
US-India relationship	9
Background to India seeking	9
Declining US Hegemony in Asia	9
Importance of Russia to India's Oil seeking	9
lack of Capital for overseas resource acquisition	9
The role of Diaspora in Asset seeking	8
Resource Mercantilism	8
Historical relationships with other states	8
The role of the Bureaucracy in Asset Acquisition	8
Why India is slow in Acquiring Assets	8
resource diplomacy	8
Low-carbon economy paths for these emerging economies	6
Ability to project "hard power" in proportion to other elements	6
Non State Actors in resource seeking	6

Table 4: Keywords from secondary literature coding- *contd*

Key words/Code	Weight
The nuclear policy as a counterweight to Oil imports	5
Gas as a replacement for crude	5
Bilateral Assets seeking strategy	5
ONGC Mittal Energy (OMEL)	5
New directions in asset acquisition	5
India's "national Interest	4
Commonwealth states and role	4
(poor) institutions and	4
Mutual cooperation	4
Negative Publicity of Chinese Acquisitions	4
Africa's importance to China	4
Areas of Asset Acquisition	4
climate change	3
firm-specific advantages	3
Ownership Advantages of Indian NOC	3
South- South cooperation	3
Linkage of Russia to India increasing Gas Mix	3
Leveraging diplomatic relations	3
Reliance Industries	3
Oil I India Ltd.	3
Institutional Characteristics	2
Asian competition for resources	2
India, Brazil, and South	2
Ownership structures	2
The Iran- China- Russia - India Axis	2
The Iran reserves	2
Central Asia assets Vs African Assets	2
Rising nationalism	2
Inter-Relationships of Indian Asset Seeking Companies	2

Keywords from secondary literature- *contd*

Key words/Code	Weight
Hindustan Petroleum Corporation Ltd (HPCL)	2
Political Stability of resource markets	1
formal and informal networks of Indian NoCs	1
Indian NOC strategies	1
China's global oil and gas expansion is receiving significant n	1
Rising dependence on Middle East & Africa oil and growing sea-l	1
Gujarat State Petroleum Corporation Ltd (GSPC)	1
Bharat Petroleum Corporation Ltd (BPCL)	1
The threat of diversifying dependence on crude oil	6
India and China collaborating in asset acquisition	6
need to diversify oil needs from middle east	6
India's 'Go Global Strategy	6
Reliance Industries	3
Oil I India Ltd.	3
Institutional Characteristics	2
Asian competition for resources	2
India, Brazil, and South	2
Ownership structures	2
The Iran- China- Russia - India Axis	2
The Iran reserves	2
Central Asia assets Vs African Assets	2
Rising nationalism	2
Inter-Relationships of Indian Asset Seeking Companies	2
Hindustan Petroleum Corporation Ltd (HPCL)	2
Political Stability of resource markets	1
Formal and informal networks of Indian NoCs	1
Indian NOC strategies	1
China's global oil and gas expansion is receiving significant n	1
Rising dependence on Middle East & Africa oil and growing sea-l	1
Gujarat State Petroleum Corporation Ltd (GSPC)	1
Bharat Petroleum Corporation Ltd (BPCL)	1

